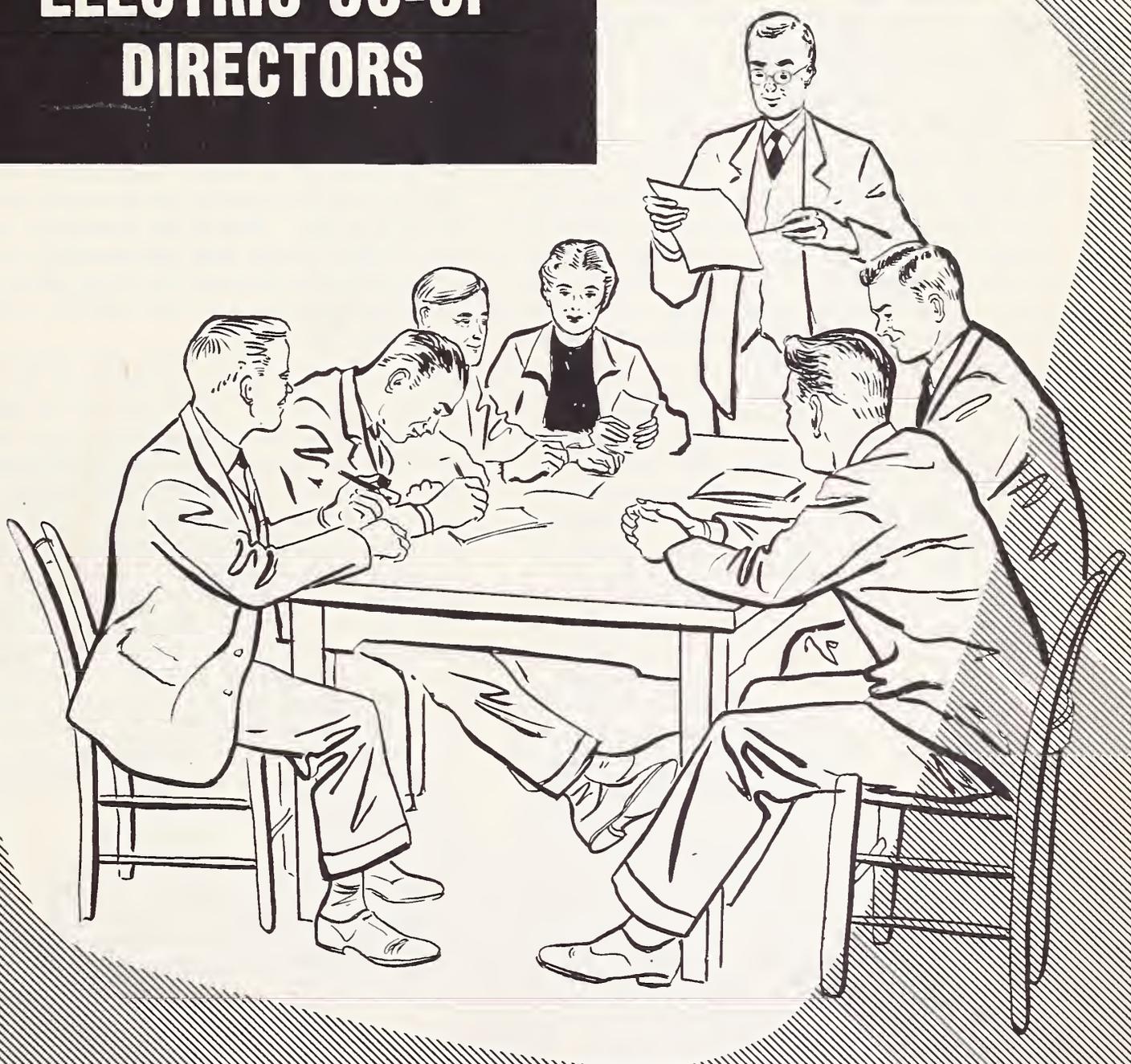
FACTS FOR ELECTRIC CO-OP DIRECTORS



UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL ELECTRIFICATION ADMINISTRATION

REA

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THE CO-OP DIRECTOR HAS A BIG JOB

Assembled here from past issues of RURAL ELECTRIFICATION NEWS are various articles devoted to the responsibilities and duties of leaders of rural electric cooperatives. They should be of special interest to the newly elected co-op director, since they contain much basic information which he will need.

Co-op management problems have changed greatly in the years since the first small groups of farmers banded together to serve themselves with electric power through the REA program. Today, in most instances, a rural electric co-op is a million-dollar business—often the largest in the community it serves. That fact alone makes running the co-op a big job that requires the closest possible attention to sound business practices.

There is another side of co-op development that has not always kept pace with growth in physical size. As a nonprofit enterprise existing solely for service to rural people, it has a broad responsibility for contributing to community well-being. Fulfilling that responsibility requires knowledge, imagination, and breadth of vision on the part of co-op leaders.

The Rural Electrification Administration works hand in hand with co-op leaders. But it has always been a fundamental principle with REA that its aid should be given in such a way as to promote the ability of the co-ops to handle their own affairs effectively . . . with less and less assistance from the Government.

In following this policy, REA has been mindful of its responsibility to Congress and to the people of the United States for the security of the loans and for promoting rural electrification. However, as the co-ops gain in experience, they become more able to meet their obligations to the Government and to rural people. Thus REA's role is gradually diminished, and ahead looms an era in which the co-ops will stand entirely on their own feet as independent local enterprises.

As rural electric cooperatives move toward self-reliance, it is imperative that the spotlight remain on the ideal of member-owners as the real source of co-op strength. If co-op members think of themselves merely as customers of a utility system, the co-op rests on a shaky foundation regardless of how impressive its financial balance sheet may be. But if the members understand their rights and responsibilities and show an active interest in co-op affairs, the organization can cope successfully with any problem that arises.

To put it another way, the practice of real democracy in co-op affairs is essential to co-op success. The growth of democracy depends in no small measure on the atmosphere created by the directors and the manager. Until recently, co-op management was so busy with line building that too little attention was given to developing sound member relations. Therefore, it is pleasing to see what has been happening. The last few years have seen better annual meetings with greater member attendance, more informative annual reports, and more emphasis on good co-op newsletters and State-wide papers. Other signs of progress include growing co-op interest in member and community relations and the increasing employment of educational workers whose job it is to inform the members about their co-op affairs and about efficient power use.

This trend is on the upswing. Truly, it is a big job which faces the leaders of rural electric co-ops, but they are meeting the challenge.

Claude R. Wickard

HOW A RURAL ELECTRIC *Co-op* IS RUN

A MEMBER of the board of a rural electric co-op holds an important place in his community. His is a position of trust.

He is one of the elected leaders of a large local business providing an essential service at cost. His neighbors and other fellow co-op members have chosen him to speak and act on their behalf in maintaining efficient electric service at reasonable rates and in extending that service as widely as possible in the co-op area. He and the other members of the board are responsible to the member-owners of the co-op for management of the co-op's internal affairs, community relations, and for relations with REA.

The pages which follow describe how the leaders of a rural electric co-op, carrying out their mandate from the co-op membership, can best fulfill their duties; what the directors should expect of the manager in carrying out the board's policies and performing other management functions; co-op relationships with REA; and the relationship of a co-op board with others providing professional services to the co-op.

The People Run Their Co-op

MOST of the people who run the rural electric co-ops are farmers or farmers' wives—ranchers, cotton, corn, or wheat growers, dairymen, fruit growers, men and women who work in the fields, in the barnyard, or at the market.

Others are village business and professional people who use electricity in their stores or other service establishments—lumber dealers, doctors, preachers, hardware men, garage operators, service station proprietors.

Altogether there are about 9,500 of these co-op leaders—variously known as directors or trustees of their co-ops. And they all share one desire—to see that as many farm people as possible get electricity as quickly as possible, and put it to effective use. That is why they unselfishly become co-op leaders in the first place.

A close web of relationships binds together these co-op leaders, the co-op membership for which they speak; the managers of these co-ops, and the American people whose rural electrification spokesman is the REA. Together these relationships spell the REA program.

When a rural leader becomes a director of an electric co-op, he is likely to know little about these relationships. This article tells co-op leaders something about them.

A rural electric co-op's powers and privileges as a nonprofit or cooperative corporation are exercised under a State charter. The law recognizes that the membership owns and controls the co-op and the board of directors or trustees governs it.

In some places co-ops are rather unfamiliar ways of doing business. In many areas rural people have much to learn about their rights and responsibilities as co-op members and leaders.

But the fact remains that the legal obligation to run the affairs of the co-op according to its charter and bylaws—voted on by the members—remains with the board—elected by and from the members. So the law places the co-op in its members' hands without question.

The board also has to see that the co-op is properly managed. Now some board members believe that management rests solely, or almost entirely, in the hands of the paid manager hired by the board. Actually, though, the board itself has a real management job to do if it is to carry out its function properly.

True, technical management is a job requiring special skills and training. Very few, if any, REA co-op board members know exactly how to supervise building of power lines, keeping of books, purchase of materials, or paying off of REA loans.

But it is absolutely their business to see that these things are done properly and on time, as far as it is possible for them to be done. That is part of their trust to the membership which elected them to their positions as directors.

It is also the board's duty to see that the members themselves are kept properly and regularly informed on how things are going—how the co-op is progressing and what is being done to meet their needs. Since a co-op is owned and controlled by its members it is important that they be helped to understand what a co-op is and how they can do their part in assuring its success.

These things are also part of the trust which the members place in the board, and in the paid staff. Directors will want to be sure that they are done.

Briefly, this sums up the management picture: The directors decide, with the advice of the manager, what policies are needed to advance the co-op program. They delegate responsibility to the manager to see that these policies are carried out. The manager sees that his staff performs its work in accordance with these pol-

icies. The board, therefore, is not concerned with details but is very much concerned with how details are handled every step of the way.

The board also employs other technical consultants such as lawyers and engineers. These, too, are concerned with carrying out board policy and offer advice as needed.

Naturally the board and the manager have to work closely together to get this over-all job of management done. But their jobs are quite separate and it is proper that they stay that way.

Where does REA, representing the American people, fit into this picture?

First, REA loans are made to neither the cooperative board, nor to the co-op manager. They are made by the American people to a co-op corporation whose membership is open to anyone who can use the co-op services—all the men and women who make up the present and future members of the co-op.

These loans, as any co-op director realizes, are made to cover the full cost of a co-op's system.

However, the REA Act requires that the REA Administrator, when he authorizes a loan, certify that "in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed."

These terms of the Act are specific. They mean that when the Administrator authorizes a loan he must keep in mind the interests of the Nation, as well as local areas. He must be sure that costs are going to be kept in line from the outset, and that the system is going to be operated in a sound manner. Obviously, the materials that go into the system cannot by themselves be considered "adequate" security for a loan. That security has to be economy of construction and efficiency of management—and that is where the board and the manager come in.

That is why REA has to assure itself, by approving plans and specifications, selection of a manager and other major co-op actions, that its loan funds are being spent to build an efficient and efficiently-managed electric system. To safeguard the interests of the people as a whole as well as the people to whom the loan was made, it also provides advisory services as the co-op needs them to help REA borrowers avoid costly mistakes and become as efficient and effective as possible.

These services are available at all times. But the help naturally is needed less as the co-op comes to stand more and more on its own feet, as a sound business may be expected to stand. When a co-op has repaid entirely its loan to the Government, it is entirely on its own.

So the REA co-ops, 1,000 strong, are a testing ground—already well proven—for a new type of Government-people relationship. They are also a vast source of information on rural electrification—information based on pioneering ground-breaking in a new field, that can be obtained nowhere else. ●

Questions for Co-op Directors

What does a co-op director need to know about what is going on in his co-op? Here are some vital questions which he might ask himself:

Does our board each month get an up-to-date operating report showing our financial condition for the preceding month and results of operations during the month? If yes, do we study and discuss this report to find out how our co-op is doing and if we are running our business as a nonprofit enterprise?

Are all bills paid on time to get prompt payment discounts?

Has our co-op met its most recent amortization payment on its REA loan? Will our next payment be met? Do I have a clear understanding of REA loan and repayment policy?

What are the conditions of the REA loan contract and mortgage which I, as a director, need to know?

Do I understand how members gain ownership in the co-op through the capital credits plan?

Are we, as a board, making a sincere effort to build an informed membership? Are the members getting full information about their rights, privileges, and benefits as co-op members and about their co-op business which they have entrusted to us?

Are we, as a board, really encouraging the members to take an active interest in how their co-op business is run?

Was our last annual meeting a success from the members' point of view? What can we do to get more voting members to attend? Was the election cut and dried or did the members have a real opportunity to elect directors of their choice by the democratic method of a secret ballot? Were there two slates on the ballot?

Are member service connections work orders prepared and submitted to REA for the previous month's construction? If they were not submitted to REA, how much recent construction has the co-op financed from general funds?

How many outages occurred in the past month? Could any of them have been avoided? What effort was made to reduce the inconveniences to members to a minimum and to retain their good will?

Can our co-op meet its members' demands for power during this coming year? How about the year following?

What is our co-op doing to help members use electricity more efficiently?

Do I know and understand our co-op bylaws? Are we, as a board, making a sincere effort to act in accordance with the spirit, as well as the letter of the bylaws?

Has our co-op completed its area coverage survey? Have system boundaries been set? System studies been completed?

Are our co-op's employees getting a square deal? Are they satisfied and doing their work efficiently?

Are our co-op members fully informed about our co-op's financial status? Have our retail rates been reviewed recently in the light of our operating margin and nonprofit status?

THE BOARD'S PLACE

Ownership rests with the co-op membership, which delegates to the board authority for over-all management of the co-op.

The board handles some functions wholly.

The board is responsible to the members for the over-all co-op management.

The chart above shows the place of the co-op board in management of a rural electric co-op. The arrows show the direction of the flow of authority from the co-op membership to the board, which delegates some authority to the manager. The manager in turn is responsible to the board and the board is responsible to the membership.

IN REA CO-OP MANAGEMENT

The board delegates to the manager and his staff certain specific duties and authority.

The manager is responsible to the board for the performance of duties assigned to him.

THE BOARD OF DIRECTORS IS . . .

Responsible to member-owners for management of internal affairs of co-op and for maintaining good community and public relations.

Responsible for all policy making and for approving programs developed to carry out these policies.

Responsible for selecting a qualified manager.

Responsible for supervision of co-op management. Receives and approves detailed reports from manager on all phases of co-op activities. Delegates to manager responsibility with authority to execute policies and programs established by board. This includes such matters as area coverage, labor relations, consumer and community relations, improvements for maintenance of facilities, and related items.

Responsible for borrowing money and establishing control of disbursements by board officers and employees of co-op.

Responsible for execution of all agreements to which co-op is a party, such as loan and mortgage agreements, construction contracts, wholesale power contracts, and engineering service contracts.

Responsible for member education program in cooperative principles and methods and in effective power use application.

Responsible for acceptance and termination of memberships and to see that members are informed on privileges and obligations set forth in the bylaws. Also responsible for membership and directors' compliance with bylaws provisions and for initiating action for bylaws revision when necessary and desirable.

Responsible for seeing that membership is fully informed in respect to co-op activities.

Responsible for selection of consultants engaged on a fee basis such as engineer and attorney. Also, for seeing that effective use is made of these services.

SIZING UP THE MANAGER'S JOB

WHAT kind of a man is a rural electric co-op manager? An all-wise wonder man who can solve the co-op's financial problems with a magic wand, balance the books with one hand and get lines into service with the other? Or is he a line foreman in a white shirt whose job ends when the lines are hot?

Actually the ideal manager probably falls somewhere between these extremes. If he is less than a miracle man, he should be a man of considerable vision, initiative, business experience and executive ability.

The Manager's Job

Today's rural electric co-op manager is, generally speaking, in a somewhat different position than that in which he, or his counterpart, was a few years ago.

In the earlier period of the rural electrification program major emphasis was placed on the construction side of the manager's job. Today it is still true that the manager must organize the activities leading up to energization of co-op lines. He has to get easements, sign up members or see that they are signed up, get yard poles and meters placed, work closely with the engineer and contractor to see that construction proceeds on schedule. This phase of the manager's work is still primary where co-ops are in formative stages. And getting lines built and consumers connected will of course remain an important function of all REA co-op management until full area coverage is achieved.

But today's typical co-op is a different type of business organization from that of the early 1940's. Its management problems are more varied and therefore require greater management skill. It usually has a large office staff to handle the more involved problems that arise in a utility business of considerable size.

A manager of this kind of co-op should have general knowledge of construction methods and give general supervision to a major line-building program, of course. But he must above all be skilled in those phases of management which involve the supervision of a staff doing specialized work.

In other words, the average co-op has now grown so big that the manager can no longer "do it all himself." He cannot be a part time lineman, bookkeeper, utilization worker and handy man in the warehouse. He must rely on his staff to do these jobs under his supervision. His responsibilities include the operation of the co-op on an even keel, member service in all its phases, building of member loyalty and interest.

But—it must be emphasized—these are his responsibilities, not his duties. His main duty is to keep the co-op board informed so that it can make sound policy, and to put its policies into effect.

Sound management today requires that lines of authority be set up in the manager's staff so that each employee has a specific job to do, knows how to do his job, knows that it is his responsibility, and is given the authority to do it. This involves training, where necessary, so that every employee can do his job efficiently. It also involves the ability on the manager's part to know how and when to delegate authority to others.

Such delegation of authority does not remove responsibility from the manager's shoulders. On the contrary, it adds more, since the manager's job really boils down to seeing that many other jobs are done.

There are several advantages in this system. Every man and woman knows what is expected of him or her. He or she also feels some responsibility, thus has more incentive to give a peak performance within the limits of his or her authority. The manager is freed from details and can devote his attention to broader aspects of his job. And those aspects are today vastly more important in terms of the co-op's future than many of the mechanical details that formerly fell in the manager's lap because there was no one else to do them.

The Manager and the Board

The manager's first responsibility is to the board. He must keep it well informed. This does not mean that he must tell it how much the co-op spent for postcards last month. It does mean taking the board into his full confidence about every step in co-op development and, above all, interpreting that development in terms the board can grasp readily.

Many managers submit detailed reports to their boards a few days before the directors' monthly meeting. Some of these reports are bogged down with details or masses of confusing or non-essential figures. Other reports are oversimplified, so that they leave out or gloss over important matters.

A Manager's Responsibilities

Keeping board fully informed through regular monthly reports and otherwise.
Preparing operating co-op budget for board's consideration.
Making recommendations to board for its action.
Carrying out board's policies, plans and programs in detail.
Providing continuous electric service at good voltage.
Selecting and training qualified staff personnel.
Delegating sufficient authority to principal subordinates so they may perform their functions.
Giving active supervision to principal subordinates in office and line staffs.
Recommending to board appropriate action regarding working conditions, salary adjustments and disciplinary action involving co-op employees.
Maintaining good member relations and supervising member education and information activities.
Building good will for the co-op in the community.

On this page is shown the first page of a simple report form used by Manager Richard C. Smith of the Whitley County Rural Electric Membership Corp., Columbia City, Ind., in reporting to his REMC board.

The report is simple—and understandable, too — because it shows quickly and easily how assets and liabilities balance on the co-op's books, and also how the month's major items of revenue and expenses compare with those of the preceding year. There is no belabored analysis of checks paid, revenue received, and other details. Such data do not always give a complete or clear picture.

Other pages of Manager Smith's report contain receipts for the month just past, broken down by items; an analysis of the REMC current bank balance, and monthly statistics on co-op progress, such as energy sales, average kilowatt-hour consumption, and cost of power. The listing of disbursements item by item concludes the report. (Other items that could well have been added are outage reports and delinquent accounts.)

Manager Smith can use this report to give a quick verbal interpretation of the co-op's current status to the board, summarizing what it has seen in typed form before the meeting.

Some co-op boards do not have such information readily available. They are in the difficult position of holding their meetings and trying to guide their co-ops, without vital information which they require for carrying out their trust effectively. In certain cases they do not know that they are entitled to this information, and the manager does not know that it is his responsibility to supply it. Such information includes not only the statistical picture that should be

WHITLEY COUNTY RURAL ELECTRIC MEMBERSHIP CORP.
Balance Sheet

Assets		Liabilities	
Cash & Other Funds	$	Long Term Debt	$
Accounts Receivable		Memberships	
Material & Supplies		Consumers' Deposits	
Utility Plant		Taxes	
Less Reserve		Other Liabilities & Credits	
Other Assets & Debits		Earnings thru. (date)	
		Net Margin 1947	

REVENUES & EXPENSES

	Yearly Comparison— Monthly Comparison			
	Last Year	This Year	Last Month	This Month
Operating Revenues	$	$	$	$
Less: Depreciation				
Taxes				
Interest on Long Term				
Purchased Power				
Operating Expense				
Maintenance Expense				
Meter Reading & Billing				
Gen. Office Salaries & Exp.				
Insurance				
Maint. of Gen. Property & Rent				
Other Misc. Expenses				
Employees' Welfare Exp.				
Net Margin				

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Sizing Up The Manager's Job

contained clearly and graphically in the monthly report of the manager. It also includes data such as how much of the co-op's funds are tied up in inventory accounts or in delinquent accounts of members; how many work orders are being processed and how loans are being paid off. These are facts that should be in the hands of every board member as working tools of management.

Part of the manager's job is to make that job meaningful and understandable to his board. Manager Orville Hurford, of the Thumb Electric Cooperative, Ubly, Mich., helped to explain his job to his board but did a good job of explaining the co-op as well. He and the board arranged for three board members each month to spend a half day or more in the co-op office and out on the lines. There they learned in detail some of the day-by-day operations of co-op management that it would have been difficult for Manager Hurford to get across in the press of business at a monthly board meeting. He could spend more time explaining some of the reasons behind the financial statement which he presented each month.

Another manager, John L. Markins of the Adams Rural Electric Cooperative, West Union, Ohio, found a more informal way of telling board members about their co-op, if not quite as much about its office details.

He organized a Sunday picnic of all board members and their families and took them on a personally escorted tour of the eastern portion of the co-op system.

From early morning to late at night, the group combed the territory in cars, stopping frequently. They met many co-op members and got acquainted with their problems first hand. They visited the co-op's pole yard and warehouses, inspected its transportation equipment, and examined many miles of recently built line. They discussed possible improvements in construction and procedure, analyzed costs on the basis of actual installations made, and looked at examples of both good and not-so-good farmstead wiring. The board members and their families were enthusiastic about the trip and were anxious to plan another to cover the western half of the system.

These managers and many like them who have established close working relationships with their co-op boards know the value of taking the boards into confidence and in explaining as they go what is happening on the co-op. It makes the jobs of both board members and manager easier, and avoids possible misunderstandings. ●

Many rural electric co-ops obtain their legal, engineering, and construction services by means of contracts. On these pages are described the relationships growing out of these contracts and the role of each consulting specialist.

ATTORNEY

IN general, the co-op attorney has two main duties—those in connection with construction of the system and those which relate to operations.

Services rendered before the first loan include incorporation of the co-op, drawing up standard forms for right-of-way easements and applications for service. Those required for the first and later loans include supervising authorization and execution of all contracts, including loan contracts; notes, mortgages, and deeds of trust or amendments; getting certificates and permits required; examining abstracts of title; advising the co-op and REA of any changes in standard forms; giving legal opinions required by REA and giving a legal description of the system; advice and consultation with the co-op, REA and contractors or engineers.

Fees for this kind of service are payable from loan funds and must be kept within the maximum set by REA for such services. REA informs only the borrower, not the attorney, of the limitation on legal costs within which the co-op and the attorney are free to agree upon the fee to be paid.

Special legal services are needed in the construction of some systems—such as those in connection with litigation, Public Service Commission hearings, acquisition of existing systems, and other matters. Additional fees for such services are payable from loan funds.

Legal services in connection with the operation of the system are paid from co-op revenues rather than from loan funds. The usual arrangement is for an annual retainer fee to cover these normal services:

Preparing minutes of annual meeting of co-op members and of first meeting of directors each year; preparing minutes for other meetings which deal with contracts; making out tax reports and other reports needed by State and local authorities; legal advice on insurance; drafting and approving routing contracts; advice regarding claims against the co-op from the public; or disputes between co-op members and the co-op; general advice on routine legal matters.

Relationships between an REA co-op and its attorney are of concern to REA at only two points. First, the selection of the attorney is subject to REA's approval because REA must rely on certain opinions of counsel from him. Second, REA must approve amounts paid from loan funds for legal purposes, because of its interest in system costs. ●

ENGINEER

THE relationship between any REA cooperative and the engineer it employs is important for far longer than the period of the contract. What the engineer does or fails to do decides whether the members will get electric service 20 or 30 or 50 years in the future, as well as right now.

His work determines very largely whether service will be reasonably continuous, or interrupted with constant outages; whether the cost of operation is high or low; whether the current a co-op buys is delivered to its members or is wasted in system losses; whether the power is steady and strong, or fluctuating and weak.

These are reasons why the relations between the cooperative and its engineer are important to the cooperative. They are also the reasons why that relationship is important to REA. The only tangible security for the Government loan is the power system which the co-op engineer designs. Repayment must come from the revenues of the line, which are determined to a large extent by the quality and adequacy of the service provided.

Both are intimately related to the quality of engineering.

Any engineer who designs a rural co-op power system must be fully qualified technically, of course. He also should have enough vision to be concerned with the ultimate objectives of the cooperative and the use to which the system will be put.

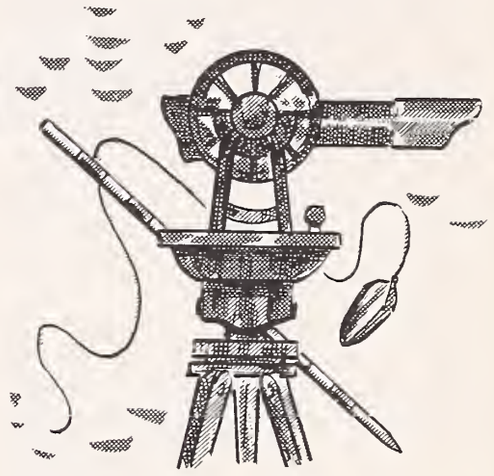
Once the board has become convinced of the qualifications of a prospective engineer or engineering firm, it then communicates with REA. In the absence of any reason for objection, the board will be authorized to enter into a contract for the engineering services needed.

REA itself does not provide the engineering services which are essential to power-system construction. Its engineers check the work as it progresses and to be sure it can be accepted as security for the Government loan.

The contract between the engineer and the cooperative is a legal document, under which each party undertakes to do certain things. The engineer undertakes to design a certain power system, and to stand watch during its erection to see that his design is followed. The board and the manager will need periodic reports, and will want to take action whenever progress fails to meet the established schedule without proper cause. Without this work, advances of loan funds would be delayed or construction materials would fail to reach the job at the proper time.

The co-op, having employed the engineer for technical services, should entrust all technical matters solely to him. But this contract is a two-way affair. It requires the co-op to pay for services rendered. The co-op should be just as prompt in fulfilling its part of the contract as it expects the engineer to be in his part. REA has made it possible for the co-op to draw the money needed for the engineer's services promptly and without unnecessary formalities. Failure to requisition the money (which is, of course, a part of the construction cost of the lines and therefore comes from loan funds) may endanger future contracts between other co-ops and the same or other engineers. If there is any reason to question the propriety of payment, the co-op should notify both REA and the engineer at once so the question can be resolved and a settlement reached. Otherwise the engineer should have his money promptly. ●

CONTRACTOR



RELATIONS between the cooperative and any firm it engages for constructing its power lines, headquarters buildings, warehouses, or other properties, parallel in many respects those between the co-op and its engineer.

Both provide specialized technical services, and both involve two-way responsibilities and commitments. In addition, both involve not only the future stability of the cooperative but also the security for the Government loan. For that reason, contracts for such services must have REA approval.

As a preliminary step to entering into any construction contract, the co-op board must agree upon basic information on which a bidder may submit a firm proposal. This involves a decision as to the type of conductor, for example, and some indication of the specific location of the work. In all cases the co-op must offer a clear right-of-way, with all easements obtained in legal form prior to the start of construction. In cases involving contracts for labor only, the co-op must give assurance that the materials will be available as needed.

Experience has indicated the advisability of entering into construction contracts on the basis of open competitive bidding. REA will provide a representative to attend bid openings, to provide consultation and assistance in interpreting bids and preparing bid summaries.

REA will also review proposed construction contracts, as a matter of protecting its investment, and will attempt to adjust any differences between the co-op and the contractor.

Construction contracts call for the construction to proceed at a specified rate, and involve certain reports and documents from the contractor. The co-op engineer's job is to see that the contractor submits reports promptly and in proper form. The co-op leaves all matters of technical supervision to the engineer, whom it is paying for just such technical assistance.

A common practice in contract work is to require the contractor to take out performance bonds and insurance, as a protection for both parties to the contract. REA has approved a performance bond, executed copies of which must accompany construction contracts. Before the contractor starts work, he must give assurance to the co-op and REA that adequate insurance of all types has been taken out for the job.

Performance by the co-op of its part of the construction contract is just as important as performance of his by the contractor. For instance, slow pay by a few co-ops may reduce the number of contractors interested in bidding, and may force artificially high bids that include interest on money borrowed to meet obligations which should be covered by more regular payments from the co-ops. REA has established a plan for loan funds to be advanced to the co-op on request, in ample time to make payments on schedule. ●

REA CO-OP BOARD MEETINGS

Conducting a Board Meeting

A BOARD MEETING of a rural electric co-op is not like a neighbor's gathering.

It is a business meeting of duly elected trustees charged by their fellow members and by law with powers and responsibilities of grave importance. The deliberations, attitude, and actions of the board will to a great extent determine the success or lack of success, of the electric co-op enterprise.

It is therefore essential that board meetings shall be conducted in a businesslike way and that at least the basic parliamentary rules shall be observed. However, a co-op board meeting, consisting of a small group of persons generally well acquainted with one another, obviously need not take on the solemnity and formality of a State legislature.

The chairman of a board meeting needs to know the fundamentals of parliamentary procedure. A statement of the functions of a chairman and a simple explanation of the rules of order applicable to rural electric co-op meetings will be found in the booklet. "Rules of Order," issued by REA. Careful study of these rules and practices will help all trustees in the intelligent performance of their duties.

The Typical Board Meeting

The average board meeting probably will not need to last longer than about three hours, provided that the business is planned in advance and the trustees give their full attention to it. It is generally desirable to have the regular board meeting after the fifteenth of the month, so that there is time for the trustees to receive and study the manager's report for the month before the meeting. However, there may be other factors to consider in determining the most suitable meeting day.

Preparation for the meeting includes: (1) A written report by the superintendent or manager; (2) a written report by the treasurer (with the assistance of the bookkeeper and the manager); (3) written reports by any committees expected to make reports; (4) making up of agenda (order of business) by the chairman (with the assistance of the manager and secretary).

Order of Business

The following order of business is recommended for board meetings of rural electric co-ops:

1. Calling meeting to order, taking roll call and establishing presence of quorum.
2. Proof of giving of meeting notice or accepting waiver of notice.
3. Reading of minutes of previous meeting, and correction and approval.
4. Manager's monthly report and discussion by board of any special matters in connection with it.
5. Treasurer's report and board approval of bills to be paid.
6. Unfinished business and committee reports.
7. Taking in of new members.
8. Communications from REA and other correspondence, including complaints or suggestions from members and others.
9. New business, such as discussion of plans for expansion, extension of work of committees, consideration of bylaw revision, consideration of applicants for employment, and so forth.
10. Adjournment.

Any discussion likely to come up at a board meeting can be grouped under one or another of these headings. The detailed agenda can therefore properly follow this outline. In preparing the agenda for a meeting it is important to go through the minutes of the previous meeting for any old or unfinished business or any special assignments that should be placed on the agenda.

Copies of the Agenda

If at any meeting there are matters of particular importance, the chairman can always rearrange the order of business, with the approval of the board, so as to bring the most important matters up first. It is a good practice to have enough copies of the agenda made so that every trustee can have one before him during the meeting. This generally tends to expedite the business of the meeting.

Proof of notice of meeting or of acceptance of waiver of the notice is necessary for all special meetings. It is also necessary for those regular meetings at which business of an extraordinary nature requiring prior notice is to be acted upon, such as authorization for the execution of a mortgage or note, or for the borrowing of money. If no notice has been given, a waiver of notice setting forth the particular matters, if signed by each trustee before the meeting goes into session, will satisfy legal requirements.

Keeping of Minutes

It is necessary to keep an accurate record of every meeting of the board. This record is called "the minutes" of the meeting. The secretary is responsible for the completeness and correctness of the minutes.

If it is not practical for the secretary of a rural electric co-op to write up the minutes himself, there is no objection to letting a paid employee keep notes on the meeting and prepare a typewritten draft of the minutes for the secretary's signature. But before the secretary certifies them as correct, he must make sure that nothing is incorrectly stated and that nothing of importance is omitted. In addition to the secretary's signature, the president's signature, indicating the board's approval of the minutes, is also required. Minutes that fail to state clearly and fully what happened at a board meeting will not only stamp the secretary as incompetent but are likely to cause needless confusion.

The minutes should start with a statement of the kind of meeting (regular, special, or adjourned) give the

name of the co-op, the place, date, and time of the meeting. They should state the names of the trustees present and the number of those not present, and whether those present constituted a quorum. It is not necessary but customary to mention separately any other persons present who took part in the meeting. Such as the manager, project attorney, project engineer, contractor, an REA representative, committee chairmen or other members, a manufacturer's or dealer's representative, a county agent, and so forth.

If it is a special meeting, or a regular meeting requiring notice, the minutes must state whether proper notice was given or whether notice was waived according to law, and the special purpose of the meeting. A copy of the notice or the signed waivers of notice should be attached to the minutes.

The minutes should also state whether minutes of previous meetings were read and approved at this time. (If corrections of previous minutes are made at a meeting, it will be helpful to REA if the corrections are mentioned in detail, since a copy of the uncorrected minutes has probably already been forwarded to REA.)

In the case of every motion or resolution voted on, the minutes should state the name of the mover, whether it was seconded, the exact wording of the motion, and whether it was carried or lost. If the vote was by ballot, the number of votes received for and against should also be stated. If the vote was by roll call, it must be recorded who voted for and who against the motion. If there was extensive discussion of the motion, the main points or arguments of the discussion should also be recorded.

Any report presented at the meeting should be summarized in the minutes, or a copy of the report should be made a part of the minutes and should be filed with the minutes. In case of a lengthy report which leads up to one or more recommendations, it is often sufficient to record in the minutes merely the recommendations and whether or not they were adopted by the meeting.

If the board authorized the payment of any bills, the minutes should show the amount of each bill, what it is for, and to whom payment is to be made. If the bills are itemized on a separate sheet which is ordered attached to the minutes, only the total amount needs to be stated in the minutes. However, any payment made to any trustee, for whatever reason, should be itemized and explained in the minutes.

Any letter read and discussed at a meeting, even though no motion resulted from it, should be identified and briefly summarized in the record.

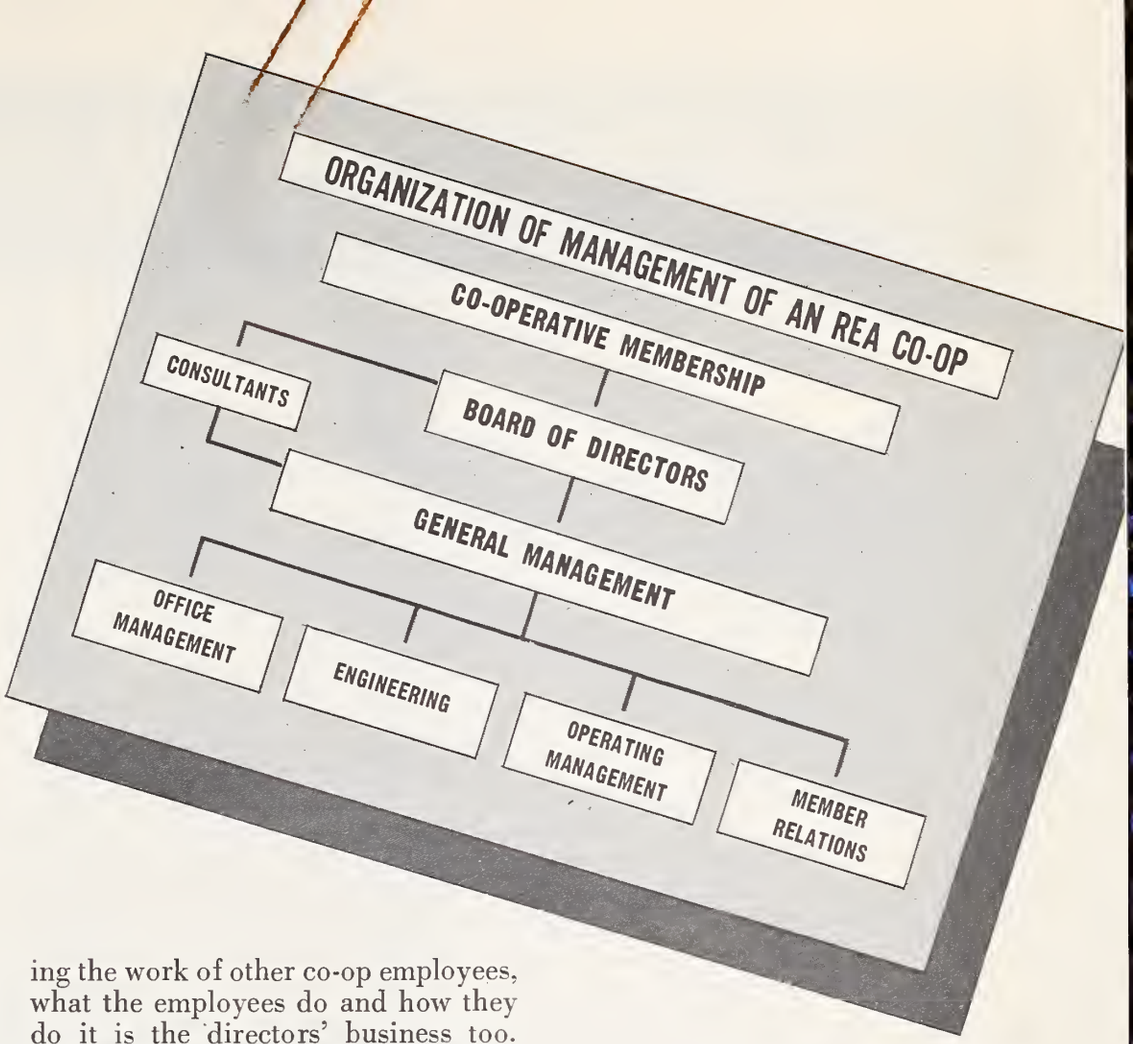
All special business, such as election of officers, must be recorded in sufficient detail to show whether or not all regulations have been complied with. The minutes should end with a statement of the time when the meeting adjourned.

(Forms of minutes for special purposes, and sample forms of resolutions on special matters, may be obtained from the REA legal division upon request.)

The best way to keep minutes is in a loose-leaf binder. Special corporate minute books of that type on the market also have an arrangement for holding a copy of the articles of incorporation and of the bylaws. If the minutes are typed on letter-size sheets, the insertion of reports, financial statements, etc., can be made easily and neatly. The minute book or journal should be kept up to date, with the minutes arranged chronologically. It should be kept in the office in a safe place, but should always be available at board meetings.

Any motions or resolutions of a regulatory nature adopted by the board should either be indexed or, preferably, brought together in a separate binder for easy reference.

The People Who Work For A Rural Electric Co-Op



A SERIES of articles in the December 1947–January 1948 RE NEWS told how a rural electric co-op is managed—how the co-op board works with the co-op manager and his staff in carrying out its trusteeship for the co-op membership. Those relationships are shown in the upper part of the chart on this page.

The following articles tell about the various jobs the cooperative has to do. They describe how the people who work under the manager's direction fit into the over-all job of running a co-op business. These relationships are shown in the lower part of the chart on this page.

No matter how small or how large a co-op is, a certain number of basic jobs must be carried out if the co-op is to grow and prosper. When a co-op is first formed, several of these jobs may have to be handled by one person. However, as a co-op grows larger, the increasing amount of time and attention required by each job makes it necessary for the co-op to employ more people. It also makes possible selecting employees on the basis of more specialized job qualifications.

Although the directors of a rural electric co-op delegate to the manager the job of hiring, firing and supervising the work of other co-op employees, what the employees do and how they do it is the directors' business too. As heads of a large business, the directors are concerned with what sort of people that business hires; how those people are qualified for the tasks they are called upon to do; whether they are being adequately trained for those jobs; and whether they are satisfied in their jobs.

As the co-op grows, the directors will be increasingly concerned with the way in which those employees do their work and the effect of that work on the success of the co-op. They will want to know from the manager that the flow of work is being handled smoothly, that there is a minimum of duplication of effort, and that co-op employees are working under safe conditions.

A Man Who Knows His Job Can Command Attention

Finally, the directors, as co-op members themselves, realize that many members form their opinion of their co-op largely on the basis of contacts with co-op employees in the office or in the field. They will want to be sure that employees are well aware of their responsibilities to the co-op, to the members and to the public; that they know the purposes for which the co-op was formed and how they can help to carry out the co-op's program.

One of the greatest assets of any business—and especially of a business owned by its members as a service enterprise—is a staff of well-trained employees who like their jobs, who know why they are doing what they are doing, and who understand how their jobs relate to those of the people working with them. ●

ON ANY CO-OP, THE MANAGER IS RESPONSIBLE FOR GETTING THESE JOBS DONE

GENERAL MANAGEMENT

Carrying out the policies set by the board of directors; planning and execution of an effective management program; analysis of the co-op's financial condition and discovery of special financial problems; providing for adequacy of the power system in relation to present and potential consumers; plans and programs for extensions and area coverage.

Adequate budgeting; designing and maintaining a program for full and proper use of electricity by present and potential members; determining adequacy of retail rate schedules; providing for scheduled retirement of long-term obligations and payment of current debts; establishing controls for limiting operating costs by improved organization and methods; establishing sound labor relations, wage policy, and safety program.

Responsibility for installation of an adequate accounting system and for full use of these records as an aid to management; responsibility for selection, job training, and supervision of all personnel; for putting co-op principles and methods into practice; for developing member information and education activities, and for building good community relations.

MEMBER RELATIONS

Includes planning, developing and conducting informational and educational activities to make the co-op internally strong and of the greatest possible benefit to present and future members; involves aiding members to understand their co-op organization and the REA program, to know and exercise their rights and responsibilities as member-owners, to get premises wired properly and to obtain suitable equipment, including water systems and plumbing, to learn how to put electricity to most beneficial use. Also involves promoting use of electricity for community improvements and rural industrial development. Includes building of good community relations and support.

OFFICE MANAGEMENT

Carrying out all phases of accounting, record keeping, and supervision of the co-op's general office. Includes provision and supervision for adequacy of: courtesy in contacts with members and the public; understanding of co-op organization and methods; office staff and their skills and abilities; maintenance of records in accordance with REA uniform system of accounts, and all regulatory requirements; promptness and general accuracy of accounting postings; billings and collections; handling and deposits of cash; completeness and accuracy of work orders; accuracy of inventory records; arrangements for displays; and budgeting general office salaries and expenses.

OPERATING MANAGEMENT

Includes provision and supervision for determining adequacy of operating staff and their skills and abilities; their understanding of co-op organization and methods; maintaining dependable service and voltage regulation; prompt restoration of service; prompt connection of new member services; determining condition of properties and establishing an adequate maintenance program; maintaining adequate inventory, storage facilities, and arrangements for materials; determining adequate maintenance equipment, trucks, and instruments; determining adequacy of planning, lay-out, and routing of jobs and execution thereof; and determining adequacy of labor and materials and reporting system for records.

Small Co-op.—Operating and in Construction

- Manager
- Bookkeeper-Cashier
- Work Order and Material Clerk
- Lineman
- Groundman

Medium Co-op.—Operating and in Construction

- Manager
- Bookkeeper
- Work Order and Materials Clerk
- Cashier
- Secretary-File Clerk
- Line Foreman
- Linemen
- Groundmen

Optional depending on program:

- Educational Worker

AS THE CO-OP GROWS, HE WILL NEED MORE PEOPLE TO DO THESE JOBS

Large Co-op.—Ultimate Development

- Manager
- Assistant or Office Manager
- Educational Worker
- Bookkeeper-Clerk
- Cashiers
- Secretary-File Clerk
- Work Order-Materials Clerk
- Billing Clerks
- Line Foreman
- Linemen
- Groundmen
- Meter Tester and Repairman
- Truck Driver-Mechanic

Optional depending on program:

- Engineer

ENGINEERING

All engineering services needed in the design, construction, and operation of its system, such as technical studies in connection therewith, when these services are performed by engineering personnel on the co-op's pay roll; studies on load distribution, phase balance, sectionalization and fuse coordination, voltage regulation, system improvements; preparation of major drawings of system lines and other properties; design, staking and supervision of construction of system facilities.

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SELECTING and TRAINING CO-OP EMPLOYEES

HIRING and training co-op employees is a difficult job and a vitally important one. The job is, of course, the responsibility of the co-op manager. But the manager is entitled to the close cooperation of the co-op directors in assuring good employment policy.

In a relatively large co-op—and many REA-financed systems are becoming quite large, complex businesses—a well-trained, efficient staff is absolutely essential to carrying on the co-op affairs.

And if the co-op is small, with only a few employees, each employee may have several jobs to do. As we have seen on previous pages, every co-op staff has about as many functions to perform as any other, regardless of the size of the staff. So in a small co-op, too, efficient, well-trained personnel is a "must."

Here are some of the points co-op leaders may want to consider in assessing their employment policy:

First, where are new employees sought? Is a serious search made of all available persons in local businesses or perhaps other co-ops when a vacancy occurs, to see if the opening may attract qualified workers? Are business colleges or schools canvassed

Choosing The Co-op Staff Requires Care and Foresight

for well-grounded applicants who need only experience? Or does the co-op rely on word-of-mouth opinions of an applicant's ability?

Second, what does one look for in a new employee? First consideration, of course, is an applicant's technical qualifications. A co-op of any size can ill afford to hire a bookkeeper, for example, whose background has not included several years of experience in his or her profession, plus some knowledge of general office procedure. A bookkeeper on a small co-op, on the other hand, may have to be an office manager too. This may mean that he or she may be called upon to supervise other clerical employees, in addition to maintaining records and accounts. Naturally an applicant of this kind would have to possess some administrative as well as accounting skill.

Third, the co-op will need to consider carefully the applicant's personal qualifications—his manner, approach to problems, and especially his way of meeting the public. Since the co-op business is the members' business, courtesy must be the keynote of all employees' public relations. A lineman is more than a man who can climb poles and string wire well. He is also one of the management's chief links with the co-op members. A cheery, friendly, attitude on the part of both line and office employees is a tremendous asset for any electric service enterprise—especially one in which the consumers are also the owners.

Fourth, and equally important, the co-op will want to look for applicants who have some knowledge of, or at least sympathy with, co-op principles. Such knowledge may be sparse when a person is hired. But if an employee understands the idea back of the REA program and likes working for the kind of a business that is owned locally by its patrons, he is likely to be a better employee for it.

In this respect rural electric co-ops might well take a leaf from the employee indoctrination programs of many power companies. These firms leave no stone unturned in seeing to it that all employees have a clear knowledge of what the program and aim of the power company is.

Co-ops can hardly afford to do less in selecting employees and training them with an eye to their receptiveness to the ideas on which a co-op is built—service for all at reasonable cost, member ownership, one member, one vote, and other co-op principles.

Kentucky's Training Program

An interesting development growing out of directors' and managers' interest in training has occurred in Kentucky.

Twenty-five Kentucky co-ops, realizing the intense importance of adequate training of co-op personnel on the job, set up a Statewide training committee last fall. The committee consists of three co-op managers, three line foremen, and three industrial training experts. The program was formed on the principle that the practice of letting an employee "catch on" to his job is a major cause of poor morale and general inefficiency. Consequently, the Kentucky training program has these broad objectives:

To develop in each employee a good attitude toward his cooperative, his job and his associates.

To give each new employee "break-in" training suited to his needs, including orientation and job training.

To upgrade all employees in their present jobs.

To develop a high degree of safety consciousness in employees, especially in those who do hazardous work, and

To provide training opportunities for managers and supervisory personnel.

A feature of the plan is the training committee on each co-op, consisting of a chairman, secretary, discussion leader, and a representative from each major department of the cooperative. This group is responsible for all training activities within the co-op, receiving assistance and instructional material from the State Director of Training.

Said Thomas L. Hankins, professor of industrial education at the University of Kentucky and one of the three experts on the State Committee: "We believe that it is the inherent right of every worker to be started properly on his job and to be helped continually as long as he stays on it."

More than 1,100 Kentucky co-op employees are involved in this training program. What has been done in Kentucky is possible elsewhere. Personnel who have been properly trained in their job requirements are an asset to a co-op.

They produce more acceptable work and they are happier in their work. A co-op which requires good work and gives recognition for it when it is turned out has a smooth-running office. The unhappy employee is often one who does not know what his job is or how to do it, or who does know it but realizes that no one else takes any interest in his outstanding accomplishments.

On-the-job training inspires interest in employees so that they will want to help other workers, and learn other functions of the co-op. Then, when suitable openings occur, they will be qualified for better-paying jobs. ●

DO THEY LIKE THEIR JOBS?

"THIS co-op is a pretty good place to work. They treat you all right and you feel you're getting somewhere."

A manager or director of a rural electric system who hears—or perhaps overhears—that sort of comment can be sure of one thing: His co-op is getting a full measure of value received for wages paid, from the employee who made the comment. And the co-op is stronger because the employee feels that way.

Leaders of REA-financed systems, like those of other rapidly expanding co-op enterprises, are finding that a satisfied, interested employee is a tremendous asset.

Because they realize this, they are giving more thought than heretofore to standard wages and hours, leave schedules, vacations, job security, regular promotion policy, and other matters affecting co-op employee relationships.

Recently the leaders of the Prince George Electric Cooperative at Waverly, Va., established a broad framework of employee relations after consultation with the score or more employees on their office and field staffs. Policies laid down by the board were put into a written statement. A copy of the statement was posted on the bulletin board in the working area of the co-op office.

Here are the high points of the statement: All employees are divided into four classifications, as follows: (1) manager, bookkeeper, right-of-way solicitor, engineer and electrification adviser; (2) clerk, stenographer, clerk and cashier; (3) all line employees, plus the storekeeper and work order clerk; (4) labor foreman and all laborers.

Wages.—Wage scales are set for all employees in all classifications on an hourly basis. However, employees are all paid on the basis of a 40-hour week. The wage scales are those prevailing for similar jobs in the co-op area, and are divided into three grades according to ability of the employee concerned.

Promotions.—Employees are advanced automatically to a higher grade within their classification on a periodic basis, provided that they meet certain qualifications. Promotions based on the employee's meeting these qualifications must be recommended by the employee's immediate supervisor or foreman, except in Class 1, where recommendations must be made by the manager to the board president and secretary. (These co-op officials must act directly on grade promotions for the manager himself.)

Recommendations for promotion of Class 2 and Class 3 employees in either of the two lower salary grades may be made only after the employee has been on his present job for 12 months. A Class 2 or Class 3 employee must also have been in the highest salary grade for 12 months before he is eligible to be raised to the next highest classification within his class. (A lineman first class, for example, must have been at least 2 years in that position before he is eligible to become a line foreman). However, during the last 6 months of his 12-month period in the highest salary grade in his present classification, the employee is paid at the lowest salary grade in the higher classification.

Class 4 employees are eligible for within-grade promotions after 12 months of service in a grade, on certification by the labor foreman.

Recommendations for promotion of employees in Classes 1 to 3 depend on these objective factors: efficiency, cooperation with the foreman or supervisor and with fellow employees; loyalty to the co-op, workmanship, care of tools and equipment, and observance of safety regulations. Promotion of Class 4 employees are based on similar factors. If these qualifications are met, promotion is automatic on the anniversary date.

All vacancies in Classes 2 through 4 are filled from present employees if qualified.

Termination.—An employee may not be discharged for personal prejudice of any kind. An employee who

feels he has been so discharged can ask for a hearing with the manager. If an agreement cannot be reached at this hearing, the case is referred to the directors, who decide if they wish to hear the case.

Reasons for which employees may be discharged include: failure to comply with standard safety rules, insubordination, malicious damage to tools or equipment, drinking or being drunk on duty, unauthorized repeated absences from work or tardiness, and inefficiency.

Vacations.—Paid leave of one day a month up to a maximum of 12 days may be taken by any employee in Classes 1 through 3, after 6 months on duty. Approval for vacation leave must be granted 3 months before the absence is to take effect. Leave may be given only if doing so does not impair the work of the co-op, in the opinion of the employee's supervisor. Accrued vacation leave remaining at the time of an employee's terminating service with the co-op is paid at the rate which the employee is then receiving.

Six national holidays with pay are granted all Classes 1 through 3 employees unless the holiday falls on Saturday or Sunday. Holiday work is paid for at one and one-half times the regular rate of pay.

Sick Leave.—One day paid sick leave a month is granted up to 12 days after 6 months of duty, to all employees in Classes 1 through 3. A signed statement from an attending physician must be submitted by an employee if he is away from work more than two consecutive days.

Class 4 employees are not eligible for either vacation or sick leave with pay, and are not paid for holidays unless they actually work. When holiday work is performed, they are paid for it at the standard overtime rate of one and one-half times their regular hourly scale, regardless of whether or not their total hours worked during the week equals or exceeds the 40-hour base period.

Hours of Duty.—Hours of duty for all employees are 8 hours, with a half hour for lunch. The work day for Class 3 employees is 12 hours, although their duty hours are the same as other employees.

Overtime pay is at time and one-half rates, but must be authorized in advance, and is paid only when the regular duty period has been worked or accounted for by leave.

Employees are required to report every day regardless of weather. However, employees may be given excused leave for unusual weather conditions.

Resignations. — All resignations must be in writing and turned in to the supervisor or foreman at least 15 days in advance of the effective date. Employees may be re-employed only on recommendation of their former supervisor or foreman, and only if they have complied with standard requirements for promotion while on the job. Upon re-employment employees start at the lowest grade in their former classification, unless they have been in training for at least two years for a higher job.

Although the Prince George co-op has had its employee relations plan in operation for only a brief period, it has already had good results, Manager L. P. Beverage says.

One effect has been a considerable decrease in turn-over of line employees. Before the plan started, workers were paid by the hour, rather than by the week. Many felt they did not earn enough and did not stay on the job. Under the plan, they are kept busy all week and are satisfied with the arrangement as guaranteed employment, even though in some cases it has meant a reduction in their total weekly pay.

This co-op's plan of employee relations is probably the most comprehensive of any in effect throughout the REA program. Co-op leaders feel that it may be added to or altered as conditions change.

Keeping Them Informed

A most important feature of any employee relations program should be a definite, concerted attempt by management to tell employees what is going on in the co-op business.

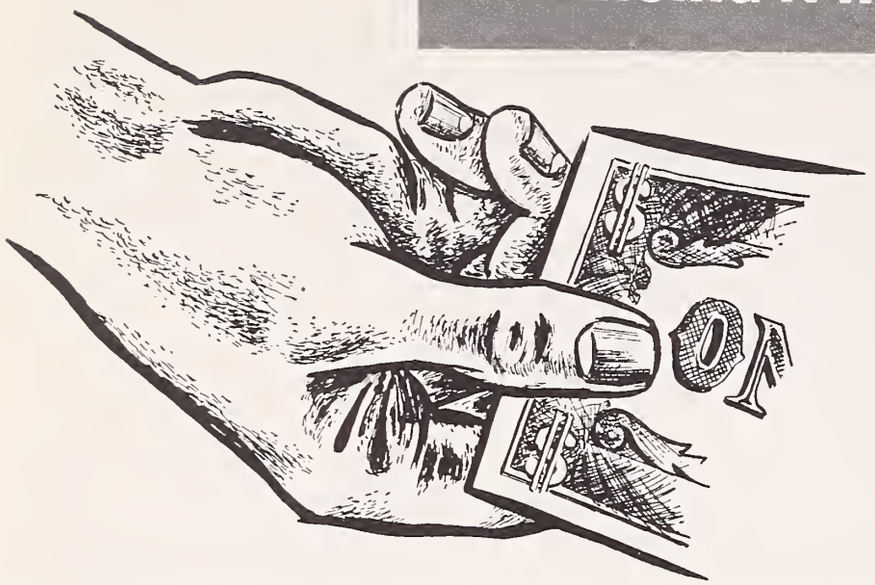
One way of doing it is the method used by the Clark Rural Electric Cooperative Corporation at Winchester, Ky. The co-op leadership staged a dinner party for directors, employees and other guests. At the party Co-op Manager W. R. Henshaw and Secretary-Treasurer Dr. E. E. Curry outlined the construction program that the co-op was then engaged in. All participants gained a much clearer picture than could have been obtained during hurried business hours.

Dinners, picnics, neighborhood gatherings—these are not only good ways to keep co-op members informed and interested about co-op developments. They are also excellent opportunities for co-op employees to be brought up to date on their own individual places in the co-op organization.

Regardless of whether co-op management-employee relations are formalized as they were by the Virginia co-op, or left to verbal understandings, co-op employees will be more satisfied, hence more efficient, if they know:

- What hours they are supposed to work.
- What jobs they are being paid to perform.
- What their wages are by the hour or the week.
- That they have a chance to advance on a steady, non-discriminatory basis.
- That they can have time off on a regular basis when work permits it.
- That they will not be penalized for being sick.
- That they have a reasonable amount of tenure in their employment.
- That management is concerned with the training needs, safety and health of each employee. ●

FINANCING A RURAL ELECTRIC CO-OP



RUN BY rural people for their own use, an REA-financed co-op power system represents rural private enterprise at its best.

To a large degree the REA program is in the hands of the leaders of the co-ops. REA's chief concerns are that its loan funds be divided equitably among the States, that the borrowers use their funds for the purpose for which they were intended, and that the electric systems be built and operated in such a way as to constitute sound security for these loans.

With expert help from their own employees and from REA, the co-op boards determine what funds they will need to carry on their electrification programs. On the basis of approved applications, REA makes these funds available within the limits of its lending authority. Then the co-op leaders use these funds as they need them, subject to REA's approval. They carry on their own business operations. And the record of 13 years of the REA program shows that, with few exceptions, they are doing so successfully.

Relationships between REA and its borrowers as they affect the handling of funds are not always clearly understood. The articles that follow describe briefly in terms of an actual section of line how loans are made, how funds are advanced, and how the money is used by the co-ops.

They also describe how the co-op can carry on its own financial operations most effectively to achieve the twin goals of area coverage and financial security.●

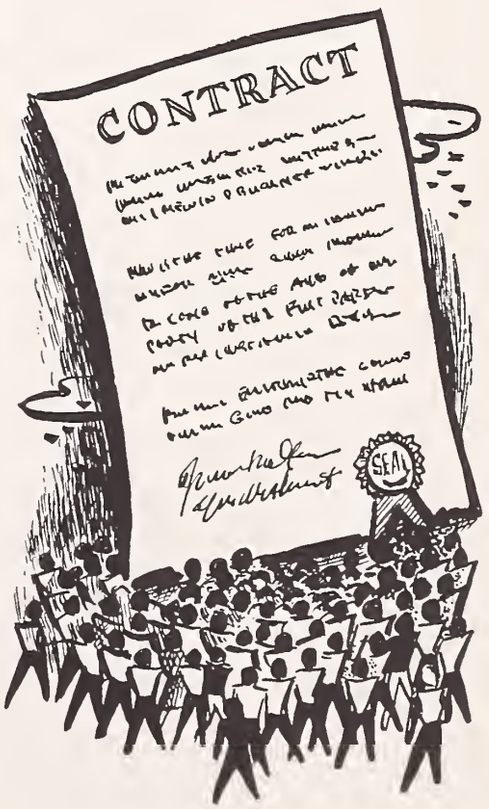
HOW AN REA LOAN IS MADE

REA Furnishes Loan Funds Based On Co-op's Proven Needs

NOT SO LONG ago, a document of importance to some 350 rural families in two counties of a southwestern State was signed. It was an agreement between the Federal Government and the rural electric co-op of which these people were members. It stated that REA would lend up to $274,000 to the cooperative to build 200 miles of power line and other facilities to bring electricity to the 364 families. Security for the new loan was to be the facilities themselves.

It was not the first such agreement between REA and this co-op. Since 1940 REA had loaned it nearly a million dollars. It had used these funds to build several sections of line. The present agreement was an amendment to the original loan contract executed when the first lines were built.

The contract was approved by the co-op board and was signed for the co-op by its president and treasurer. Accompanying it was a mortgage note specifying the terms of repayment. This note provided that no interest or principal would have to be paid for 60 months from the date of the contract. Interest at 2 percent would be charged on funds advanced during that period but payment would be deferred. The 60-month period would enable co-op revenues from operation of this new section to be built up as the new consumers acquired electrical equipment and put it into operation. At the end of the 60-month period, the co-op would begin to make quarterly payments of interest and principal. These payments would be made for the last 30 years of the 35-year life of the loan. They would pay off the debt, with interest for the full period.●



CONSTRUCTION BUDGET

NO MONEY actually changed hands at the time the loan contract and note were signed, since under REA procedure a co-op draws loan funds only as it needs them. However, the basis for future advancement of funds was established in a tentative budget accompanying the contract.

Major items in this budget included the estimated cost of all labor and materials for building the line and other facilities; the cost of engineering and other services; cost of those items of equipment, supplies, tools, and transportation, etc., to be used in the program; and of overhead—that portion of co-op salaries, office maintenance, and miscellaneous items to be charged to this section of line.

Basic to the use of this budget by the co-op were these understandings:

That the co-op board would requisition funds under the separate purposes shown in the budget and would support these requests by proper evidence of need for the money.

That the co-op management would use the loan funds only for the purposes shown in the budget and would stay within the budget estimates by careful handling of funds.

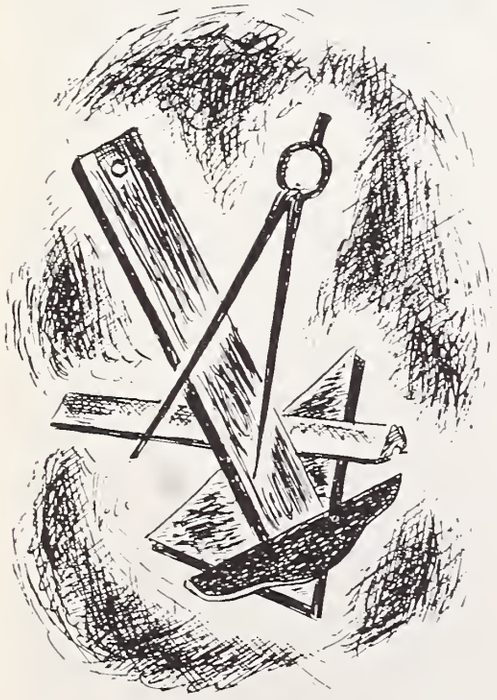
That they would ask for funds from REA in time to take advantage of suppliers' discount, and in amounts necessary to avoid delays, without keeping an excessive cash balance on hand.

That they would report all expenditures of loan funds to REA.

These understandings help REA. of course, to keep a record of how loan funds are being spent and handled. But even more they help the co-op to know how it stands financially in relation to a particular loan. By asking for funds when needed, but only when needed, co-op management can avoid the twin pitfalls of penalty payments to suppliers and extra interest payments to REA.●

What Happened Before The Loan Was Made

BACKGROUND OF THE LOAN



THE ACTUAL signing of this loan contract was, of course, by no means the first step in getting power to the 364 families. That first step had been taken by the management of the co-op a few months earlier. In response to demands from rural people they had made a survey of the territory proposed to be served, including all farms and other places to be electrified. After conducting this survey and signing up members, the co-op contracted for the services of an engineer to determine what materials and what services would be needed to carry on this electrification program. In making this determination, the engineer took into account the co-op's entire ultimate power needs as well as the needs of the particular section under consideration.

On the basis of the survey and of the preliminary plans and specifications prepared by the engineer, the co-op requested the loan. This request was in the form of a resolution adopted by the co-op board and signed by the president and secretary. It specified the amount of line proposed to be built and the consumer services to be provided. It also indicated the maximum amount of funds the co-op believed it would need for the project.

At the time they submitted this resolution, the co-op board and management also specified that they wanted to contract for labor only in the construction of most of the lines to be built.

They figured that it would be more efficient for the co-op to buy materials and have them on hand when the labor contractor was ready to proceed with construction, than to have to rely on the contractor's materials sources.

Also, their investigations of construction costs indicated that in this particular case they would build the lines more inexpensively by contracting for labor only than by contracting for both labor and materials. The labor only method would permit them to avoid costly delays and contingency charges by the contractor, they believed.

While this *labor only* method of contracting appeared to be the most feasible for this particular co-op, there are two other methods available to REA borrowers for construction of distribution facilities. REA does not recommend any specific method of construction but feels that it is the responsibility of the borrower—after careful consideration of the advantages and disadvantages of each method—to determine which of the three methods is best suited to its needs.

The other methods are "labor and material contract construction" and "force account construction." The former provides for the contractor's furnishing all labor and materials and for the borrower to pay the contractor for the completed facilities. The latter method calls for the borrower to purchase all materials and do the constructing with its own employees.

However, in the case of the co-op which used the labor only method, when the loan contract was signed, both signers had a clear idea of where they were going. They knew exactly the purposes for which the funds set aside for the construction were to be used and how this construction was to fit into the co-op's plans for full area coverage in its territory, and with the ultimate power needs of its members.●

DRAWING LOAN FUNDS

How Co-op Requests Are Handled by REA

JUST about two months after the loan contract was signed, the co-op management was told by certain suppliers that they would soon receive delivery of materials previously ordered. So the co-op president and the secretary signed a requisition to REA asking for an advance of funds of $30,000 to cover purchase of these materials. The co-op treasurer signed the voucher and the requisition and voucher sent to REA. After examination and approval, REA advanced the funds to the co-op.

Two months later, upon request, REA advanced an additional $65,000 to cover the cost of materials to be shipped. In each case prompt action by the co-op officials made it possible for them to receive discounts for payment within the time limit specified in contracts with the suppliers.

Also that month REA advanced $11,700 to the co-op to cover the latter's request for 90 percent of the cost of the contract for engineering services performed for the new construction program.

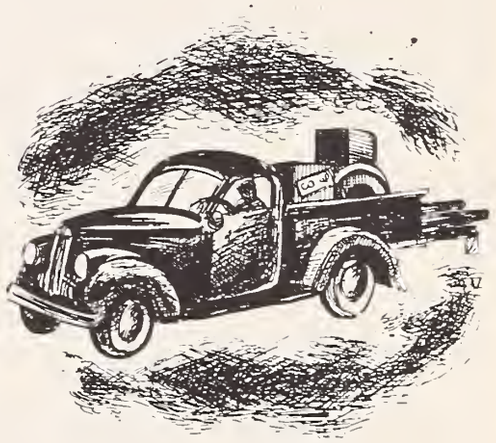
Throughout the next few months, the co-op management continued its search for materials to be secured by contracts under the new loan approval. As is customary with most REA co-ops, materials were being purchased on contract and not on open account.

Using the estimates of materials requirement given by the consulting engineer, the co-op manager requested quotations from suppliers for price and delivery. These quotations were then reviewed by the co-op board and the best selected. Material contracts were then executed with the suppliers submitting the selected quotations.

Before ten months had elapsed, all contracts between the co-op and materials suppliers for this section of line were completed. These included two contracts for transformers and meters purchased through pooling of orders by this and other co-ops, in the REA group purchase plan.

Although not all of its materials were yet on hand, the co-op now had a full set of schedules for delivery of all materials. Its leaders knew how much of each materials item it would be able to receive, and when, so that there would be no delay and construction could move along on schedule when the labor contractor went to work.

Next the consulting engineer's final plans and specifications for the construction to be carried out by a contract for labor only were approved by the co-op and REA. The final plan called for contract construction of only 146 miles of line to serve 265 consumers. The remainder of the construction covered by the loan was



to be built by the co-op's own crews.

Bids for the labor required for the construction of the 146 miles of line were sent out by the cooperative and received the following month. In the meantime, the co-op consulting engineer had proceeded with staking of the lines to be built, based on delivery schedules for materials. The staking was done from 120 to 150 days ahead of anticipated delivery dates.

Finally, the construction contract was let, and REA advanced funds for payment of 90 percent of labor costs provided for in the contract. When approval was given, all materials for the construction under the labor-only contract were on hand or would be available within a maximum of 60 days.

Construction of the section began soon afterwards and was completed within the 90-day period usually specified in co-op contracts. Material was shipped on schedule and paid for as received, to take advantage of discounts. REA had advanced funds to cover the cost of materials delivered, and funds to cover the remainder of the engineering contract cost. This latter amount was to be paid by the co-op upon final acceptance of the work.

As the next step, the consulting engineer, accompanied by the construction contractor, made a final inventory and inspection of the completed job to correct any discrepancies between the plans and specifications and the final work. Later, in company with an REA engineer, they rechecked the inventory and adequacy of construction, and corrected any discrepancies not found on the original inspection.

Final construction inventories and legal documents showing the project was finished were then sent to REA for approval. After final payment, the co-op president, acting for the board, certified formal acceptance of the work to REA.●

CONSUMER FACILITIES LOANS

ABOUT 1 percent of all REA loans are made to rural people through REA co-ops to finance wiring of farmsteads and purchase of plumbing and electrical equipment.

In addition to wiring and plumbing fixtures, all manufactured home and farm electrical equipment that meets minimum requirements established by national standards organizations or testing groups, may be financed by these loans. REA lends money to the co-ops at 2 percent interest. The co-ops can lend money to their consumers at these terms: 4 percent interest per year to be paid on the current unpaid balance of the loan; a down payment of at least 20 percent on the retail installed price of the equipment, and a maximum repayment period of 5 years. Repayments can be made monthly, quarterly or anually. The maximum amount of a single loan for an individual is $500, but loans in greater amounts can be made with special REA approval. The minimum amount of a single loan is $10.

As in the case of construction and other types of REA loans, the co-op board tells REA its needs for consumer facilities loans. Before seeking funds, a co-op usually sets up a credit committee. This committee's first job is to find out what loan funds will be needed to carry on an installation loan program, usually for the coming year.

When the board learns what the consumers' needs are, it adopts and sends to REA a resolution applying for loan funds. On the basis of this resolution, REA and the co-op enter into a loan contract. When the terms of the contract are agreed upon, the co-op can requistion funds under the contract to finance loans to consumers. The contract may cover all advances of funds under the particular loan, during a Federal fiscal year. No funds are advanced except on request.

These requisitions are in the form of a monthly report to REA as to loan needs and loans actually made. The requisitions are accompanied by a voucher, signed by co-op officials, so that advances can be made to the co-op under the loan contract.

Interest accrues only on the actual funds advanced, so co-op leaders are advised to requisition funds only as needed. Interest payments may be deferred for the first 2 years of the 5-year loan period, after which interest and principal payments are made in four equal annual installments.

When the co-op lends money to its members, it keeps in its possession the consumers' notes and contracts, stamping them immediately upon receipt to indicate the Government's lien. (This lien constitutes security for the loan to the co-op.) The co-op credit committee examines each loan application carefully to determine the credit of the consumer seeking the loan and of the dealer selling the merchandise.

Loans, except those for farmstead wiring and plumbing installations, must be endorsed by dealers on a recourse basis; that is, if the original signer does not pay, the dealer must.●

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CO-OPS and BUDGETS

A GOOD YEARLY budget is as essential to a rural electric cooperative as a plan of battle is to a general. If a military leader sent his forces helter skelter across an unknown terrain, he would be courting defeat. By the same token, a co-op invites trouble if it makes no long-range plans but simply meets each expense and each contingency as they arise.

Budgeting is planning, and planning means looking ahead to anticipate needs, expenses, and revenues. By so doing, a co-op can determine whether sufficient revenue will be available to meet necessary operating expenses, to provide for improvements, and to meet interest and principal payments on outstanding debt. Then when the day of reckoning comes, a co-op is prepared.

For the co-op manager, a budget means greater freedom of action. After his board has approved a set of figures for the ensuing 12 months, the manager has full authority to go ahead with the projects planned for the year. Suppose, for instance, that funds have been provided for cutting brush along co-op power lines; a dozen other jobs are on the calendar also. The manager is free to tackle them without further authorization and can make his plans far ahead.

Contrast this with the position of the manager whose co-op has no budget. For each job of more than routine nature, he must get the approval of his board. Even though the directors are fully sympathetic with his needs, the manager must go back to the board again and again before he can act. This is time-consuming, both for the manager and the board members.

For the board, adoption of a budget provides each director with a blueprint of what is planned for the coming year. Each director thus gets an over-all picture of what lies ahead.

Anticipating what will happen during 12 months ahead usually is not difficult. Estimating certain expenses poses no problem at all. Interest charges are fixed. While the cost of power may vary, depending upon how much the consumers use, many co-ops have found they can estimate fairly closely what will be used during any given period. The experience of former years will help in estimating salaries and other expenses. But after all, a budget is not inflexible. If an emergency arises, the board can change the budget to meet the situation.

To help its borrowers in budgeting, REA furnishes a budget form to all those who make such studies of their operations. Each side of the form contains spaces for 6 months' entries of operating revenue, cost, and patronage capital.

Here's a word of warning: Quite often, budgets are prepared with a view to spending as little money as possible. This is a mistake as serious as the opposite course of spending all the funds available, regardless of need. A good budget is one which reflects a consistent policy outlining expenditures that are necessary and feasible and forecasting true system requirements. Budget estimates should be compared with actual operating results each month and operating adjustments should be made as needed to maintain consistent expenditures and follow out the basic program.

As the co-op manager begins work on his new budget, his first step will be to talk with the key people in his co-op. How much will be required to meet salaries and other operating expenses during the next 12 months? Working carefully with his staff, the manager comes up with tentative figures for each phase of operations. Can better planning reduce expenses or increase revenue? He and his staff face this question also as they whip the budget into final shape.

At the same time the manager must keep in mind the two fundamental objectives of all rural electric co-ops. One is to furnish adequate, dependable service to all patrons at the lowest possible cost consistent with good management. The other is to make central station electric power available to all in the co-op service area at the earliest practicable date.

Once his budget is ready, the manager submits it to his board. The board members are expected to scrutinize each item, to ask questions, to suggest changes here and there. Many and varied are the questions which the directors face as they ponder the columns of figures before them.

After the budget is approved, a copy is sent to REA where it is examined carefully. There it is compared with budgets from other co-ops. Management counseling is an important service which REA renders to those of its borrowers requiring such help. These budgets are an important aid to REA in obtaining the basic information it needs to be of maximum assistance to co-ops in connection with their operating problems.

Once the budget has been adopted, it becomes a blueprint for operations during the coming year. It is now the job of the co-op manager to convert these plans into action. ●

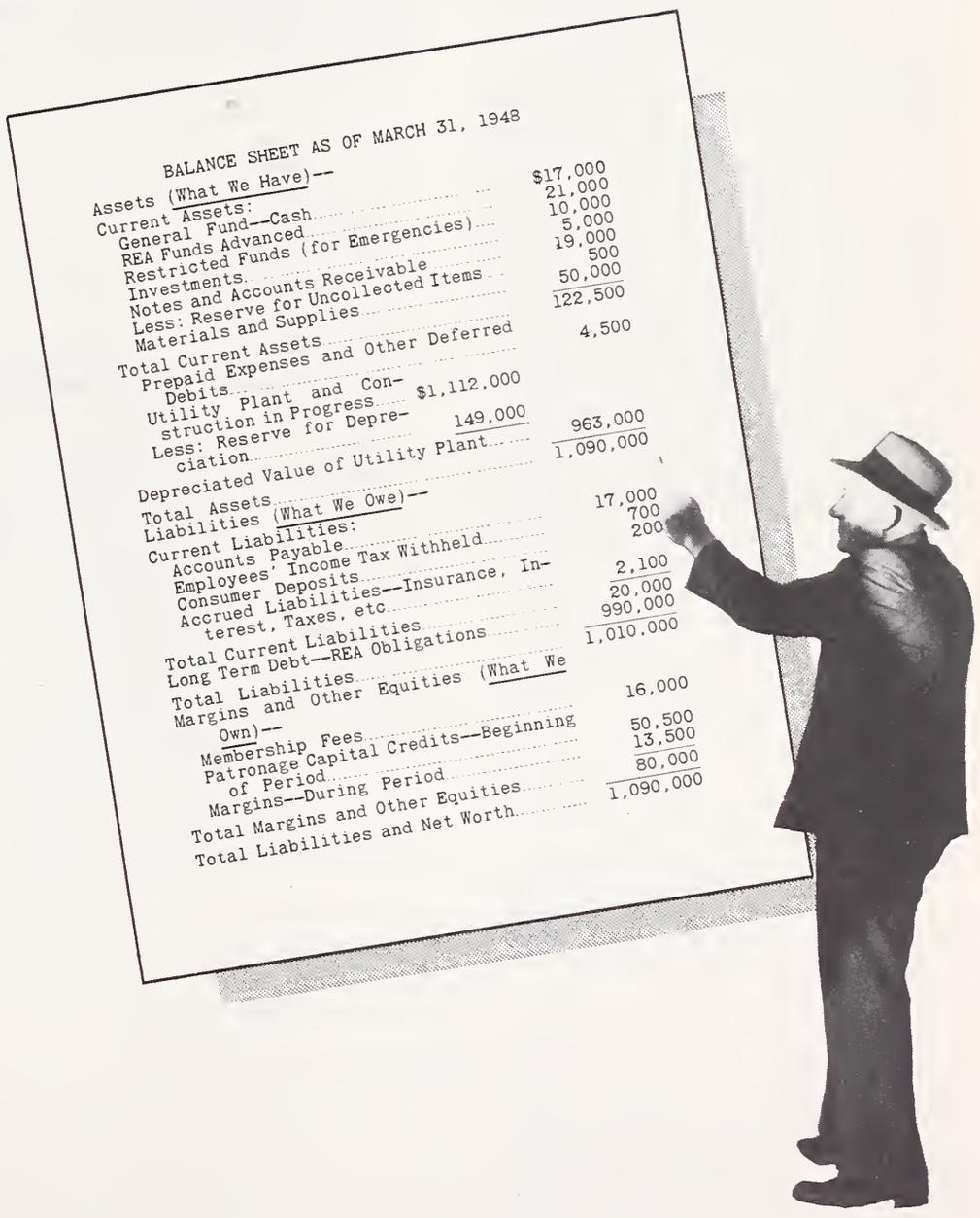
WHERE THE CO-OP GETS AND SPENDS ITS *Money*—

THE electric co-op, like the co-op feed store down the street, is in the business of furnishing a commodity to its members. Its commodity, of course, is electric service. The chief difference between the two kinds of co-ops arises from the respective ways in which they are financed. The feed co-op gets its initial financing from its own members. The electric co-op gets practically all of its financing as loans from REA.

For this reason, when the feed co-op takes in more than it costs to run its business, this excess is usually distributed in the form of patronage refunds. However, when an electric co-op has revenue in excess of expenses in any given year, it cannot return the excess immediately in cash, because it is needed to help pay off the loan to REA.

This REA co-op method of financing is shown by a study of the items on a typical co-op balance sheet and revenue and expense statement, as shown on these pages. The balance sheet, of course, shows the co-op's financial position at one particular time. The revenue and expense statement shows how the co-op has been doing over a period of time, such as a quarter-year.

Notice that the revenue and expense statement breaks down into three sections, "What We Took In," with "What We Paid Out" subtracted from it, and "What We Have Left" remaining. (These terms are not actually used on a statement as prepared by an accountant.)



BALANCE SHEET AS OF MARCH 31, 1948

Assets (What We Have)—		
Current Assets:		
General Fund—Cash		$17,000
REA Funds Advanced		21,000
Restricted Funds (for Emergencies)		10,000
Investments		5,000
Notes and Accounts Receivable		19,000
Less: Reserve for Uncollected Items		500
Materials and Supplies		50,000
Total Current Assets		122,500
Prepaid Expenses and Other Deferred Debits		4,500
Utility Plant and Construction in Progress	$1,112,000	
Less: Reserve for Depreciation	149,000	963,000
Depreciated Value of Utility Plant		1,090,000
Total Assets		17,000
Liabilities (What We Owe)—		
Current Liabilities:		
Accounts Payable		700
Employees' Income Tax Withheld		200
Consumer Deposits		2,100
Accrued Liabilities—Insurance, Interest, Taxes, etc		20,000
Total Current Liabilities		990,000
Long Term Debt—REA Obligations		1,010,000
Total Liabilities		16,000
Margins and Other Equities (What We Own)—		
Membership Fees		50,500
Patronage Capital Credits—Beginning of Period		13,500
Margins—During Period		80,000
Total Margins and Other Equities		1,090,000
Total Liabilities and Net Worth		

See how this break-down follows the financing pattern discussed above. The first section of the revenue statement represents the co-op's revenue for 3 months of the year 1947—its energy sales. The second represents its expenses, including the cost of power it bought, its cost of doing business, including office, operations, and maintenance expenses, taxes; a charge for depreciation of its utility plant and equipment; interest on its REA loans,

and miscellaneous items.

Subtracting the second section of the statement from the first, a total of $13,500 remains. This amount is credited to the patrons as capital which they have supplied to the co-op. The co-op will pay it back to them in accordance with its bylaws provisions when it is financially able to make such cash payments.

Balance Sheet

The other side of the co-op's financial picture is shown in its balance sheet. The co-op's assets (What We Have) are divided into current and fixed assets. Its current assets include the cash which it has for general use. This cash comes partly from the sale of power, and is shown in the revenue statement. However, current assets also include REA loan funds which have been advanced, money which it has not yet collected, from bills and other accounts, and restricted funds which it keeps in readiness to restore service after major storms, and for other emergencies.

(The feed co-op, in contrast, would show as its current assets its money from its sale of feed and its accounts receivable. But, in place of advances from REA, it would show capital advanced by its members.)

The bulk of the co-op's assets, of course, consists of its fixed assets—its utility system and materials and other supplies which it has on hand, including its office equipment and supplies.

Subtracted from these, however, is the reserve which it has set aside for depreciation of its plant. What is left represents the depreciated value of the plant. This, added to the current assets, represents the total assets. (What We Have.)

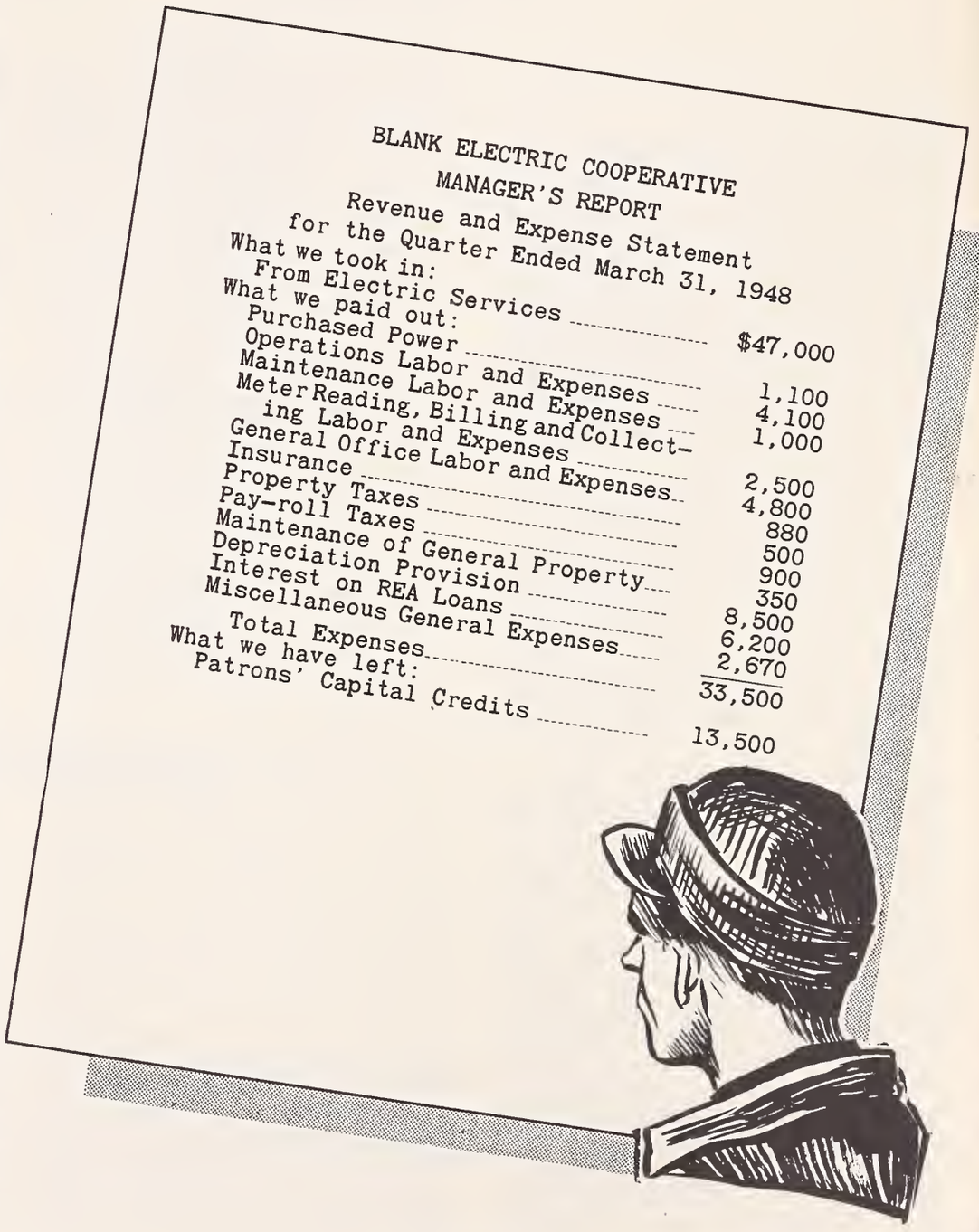
On the liabilities side of the balance sheet (What We Owe) the "Accounts Payable" item includes bills outstanding against the co-op, such as charges for wholesale power which it has purchased, bills for construction materials it has received but not yet paid for, and other miscellaneous debts on its books. Consumers' deposits, insurance premiums, interest payments and taxes owed, represent the co-op's total current liabilities, when combined with the three above.

The major liability, of course, is the long-term debt which the co-op has contracted with REA.

The third section of the balance sheet (What We Own) is what is known as net worth in bookkeeping language. It represents the members' equities in their power system. This section includes the membership fees which the co-op has collected; the patronage capital which has been credited to the members on the co-op books as a result of excess of receipts over expenses during previous years, and the amount which has been credited during the 3 months covered by the revenue statement.

If the co-op is to operate on a non-profit basis, the amounts paid by patrons in excess of cost must be credited to those patrons. Under the capital credits plan, the patrons furnish this excess as capital, and it is eventually paid back to them. Meanwhile they receive credit on the co-op books. Until the money is paid back, however, the co-op can use the capital to pay off the REA loan or for other approved purposes.

Added together on the balance sheet, the net worth plus the liabilities equals the assets. ●



BLANK ELECTRIC COOPERATIVE
MANAGER'S REPORT
Revenue and Expense Statement
for the Quarter Ended March 31, 1948

What we took in:	
From Electric Services	$47,000
What we paid out:	
Purchased Power	1,100
Operations Labor and Expenses	4,100
Maintenance Labor and Expenses	1,000
Meter Reading, Billing and Collecting Labor and Expenses	2,500
General Office Labor and Expenses	4,800
Insurance	880
Property Taxes	500
Pay-roll Taxes	900
Maintenance of General Property	350
Depreciation Provision	8,500
Interest on REA Loans	6,200
Miscellaneous General Expenses	2,670
Total Expenses	33,500
What we have left:	
Patrons' Capital Credits	13,500

The Why and How of Capital Credits

ELECTRIC co-ops financed with REA loans differ from other kinds of co-ops in several important respects.

The typical agricultural co-op, for example, requires a relatively small capital investment in proportion to its annual business. Therefore, it is generally no great hardship for the members to put up a substantial part of the capital needed for the co-op business at the time it is organized. This means, in turn, that such a co-op needs to borrow relatively little money from outsiders and therefore has no heavy loan repayments to meet. If it finds at the end of the year that its charges for services to its patrons have been in excess of the cost of service, it can return most of that difference to them as patronage refunds, either immediately or at least within a few years.

An REA co-op, on the other hand, requires a very high capital investment per member. The annual business turn-over amounts to only a fraction of the cost of its facilities. It is financed one hundred percent with an REA loan. In other words, the members have made no initial capital investment in their REA co-op aside from the small membership fee.

The REA program is based on the idea that the people who use the service of an REA co-op will eventually have full ownership of the co-op system. The only way this can be done is for these local people to put up the money needed to repay the REA loan. The REA repayment schedule is designed to make this as easy as possible. The rates charged by REA co-ops to take care of operating expenses and at the same time acquire local ownership are much lower than the rates these rural people would have to pay for service alone if there were no REA program—if they had been able to get service from commercial power companies.

Therefore, REA co-op members might consider themselves fortunate even if they did not get a personal stake in the net worth of the co-op as it builds up. They still would have a community service enterprise operated by the consumers for their joint benefit. But they are operating a co-op which is set up for the purpose of furnishing service at cost. This means that any payments made by a patron for electric service which are in excess of the cost of service must be expressly recognized as belonging to him. Otherwise he would not be receiving service at cost and the co-op would not be operating on a nonprofit basis.

An REA co-op cannot set its rates so that they will just cover actual cost of service. Its receipts from service bills must be adequate to take care of all of its cash obligations which include one item that is not a part of the cost of service, namely, repayments on the principal of the REA loan. A co-op must set its rates so that its receipts will be sufficiently greater than the actual cost of service to take care of that additional cash need.

It stands to reason that these excess receipts cannot be returned to the patrons immediately in the form of cash patronage refunds since they must be applied to reduction of the REA loan. In fact, such returns cannot begin to be made until the co-op has reached a financial condition which will permit it to do so without running the risk of not being able to meet all of its other cash obligations as they become due. In effect, therefore, any payments made by REA co-op patrons in excess of the cost of service are really capital investments by the patrons.

There are two somewhat different methods or plans for handling excess payments by patrons. Under the first, more commonly used in the past, these excess payments are treated as overpayments which are returned to the patrons as patronage refunds at the end of an operating period, usually at the end of the business year.

But if a co-op has need of these excess payments in order to pay off a loan, it must defer making patronage refunds. It can only credit each patron's account with the amount of his excess payment so there will be a record of what it owes him and will return to him if and when it is in a position to do so. In other words, it considers and uses this excess payment as though they were capital furnished by the patrons.

The second plan, the so-called "capital credits" plan, is better suited to co-ops which, like those financed by REA, have need of excess payments to pay off a loan. Where the capital credits plan is used, the co-op and the members expressly agree that excess payments needed for capital purposes are paid in as capital. Therefore, such amounts are credited to each patron on the co-op books as patronage capital.

Both plans are in keeping with cooperative principles and philosophy. But the second plan offers a number of advantages over the patronage refunds plan, as evidenced by the fact that it is increasingly being adopted in varying degrees by American co-ops of different types. Its adoption by REA co-ops is especially timely now.

Most REA co-ops have not yet started to put into effect the bylaw provisions regarding patronage refunds and the setting up of various reserves. Instead, they have left the disposition of any annual surpluses for future action.

The capital credits plan is quite simple. It does not require the setting up of undivided reserves for various purposes, as is required by present REA co-op bylaws, before determin-

ing each patron's individual part of the excess receipts. No such individual reserves are needed under the capital credits plan because all excess receipts for electric service are capital which the co-op may use for any legitimate purpose. This means, in turn, that the capital credit of each patron (if there are excess receipts) will be greater under this plan than the amount of patronage refunds he could expect to receive under present bylaws provisions.

The plan provides that any receipts by the co-op for electric service which are in excess of the cost of furnishing the service are capital and are credited to all patrons (nonmember patrons, if there are such, as well as member patrons) in proportion to what each has paid for electric service during the year to which the receipts apply. Since they are based on his patronage, this type of capital may properly be called patronage capital. The patronage capital supplied by each patron will be credited to him each year in his patronage capital account, and he will also be given a statement showing his capital credits for the year.

In years when the co-op has no such excess receipts, no capital can, of course, be credited to the patrons. If in any year the co-op has incurred an operating deficit, that deficit will also be shown on the books, but only in a lump sum. It will not be prorated and charged against the patrons' individual accounts. The net amount of the patronage capital shown on the balance sheet will, of course, be the difference between total patronage capital paid in and any deficits.

When a co-op becomes financially able, it can begin to retire, on a dollar-for-dollar basis, the capital supplied by patrons.

Retirement of patronage capital may take place in the same order in which it was supplied. In other words, all of the capital credits for the first year in which the co-op had excess receipts would be paid back before any payment is made on capital supplied in any following year. In this way, patronage capital is acquired and retired in rotation, assuring fair and equal treatment to all patrons.

It should be noted that under this plan an REA co-op cannot have any "income" or "surplus" from operating the electric distribution system, since all excess receipts for electric service are capital at the time of receipt and are so credited to the patrons at the end of the year.

Adoption of the capital credits plan does not affect in any way the exemption from Federal income tax accorded REA co-ops as nonprofit organizations. Of course, income taxes are not imposed on money furnished as capital to any business.

A co-op must amend its bylaws before it can adopt capital credits, and sometimes a charter change is necessary. However, this is a small price to pay for a plan which offers so much.

When the capital credits plan was first recommended to rural electric co-ops in 1946, some co-op leaders and employees feared it would require endless extra work. However, their fears have proved unfounded. The co-ops have now had enough experience with the plan to know that it is not difficult in its application and that it is a practical way of giving credit to each member for his investment in the business.

Nothing succeeds like success. That explains why more and more co-ops are adopting the capital credits plan.

COMPLETING AREA COVERAGE SURVEYS

"We, the members of the board of the Blank Electric Cooperative, recognizing that our cooperative has a definite obligation to make electricity available on an area-wide basis to all unserved rural establishments, resolve that the manager is hereby authorized and instructed to proceed immediately with a comprehensive area-wide survey of all unserved establishments,

"And that we, the directors, individually and as a body, will do everything in our power to facilitate this survey and to extend service without delay wherever feasible in accordance with our findings."

MANY rural electric co-ops have passed this resolution or one like it. No action of any co-op board could be more important than this simple pledge to the unserved people in its area that the co-op believes in serving them and wants to do so as soon as possible.

Regardless of how busy a co-op is in getting lines built to its present members and in seeing that they have the type of service they need, it can ill afford to fail in carrying out its full obligation to all the unserved people in its area.

Many co-op leaders who thought they had completed the task of surveying for area coverage are finding that their surveys are far from complete. Many others are finding it necessary to resurvey their plans, and to complete their files of signed members seeking service.

Why Surveys Are Made

What have been the advantages to co-ops of an up-to-date, complete area coverage survey—one that really tells the co-op leaders, members, and REA—"Here are the people to be served, and here are the lines that must be built to make that service possible"?

First, the data obtained from such a survey enable the co-op to prepare complete and accurate maps like that below, and to support requests to REA for loan funds. The data from these surveys also give the co-op and its engineer the facts necessary to plan economical power distribution systems. (See p. 7.) Specifically, they tell the engineer the estimated average consumption of all consumers in the co-op area and the location of all loads requiring installation of more than 10 kilovolt-ampere transformers. These facts are of extreme importance in the solution of the long-range

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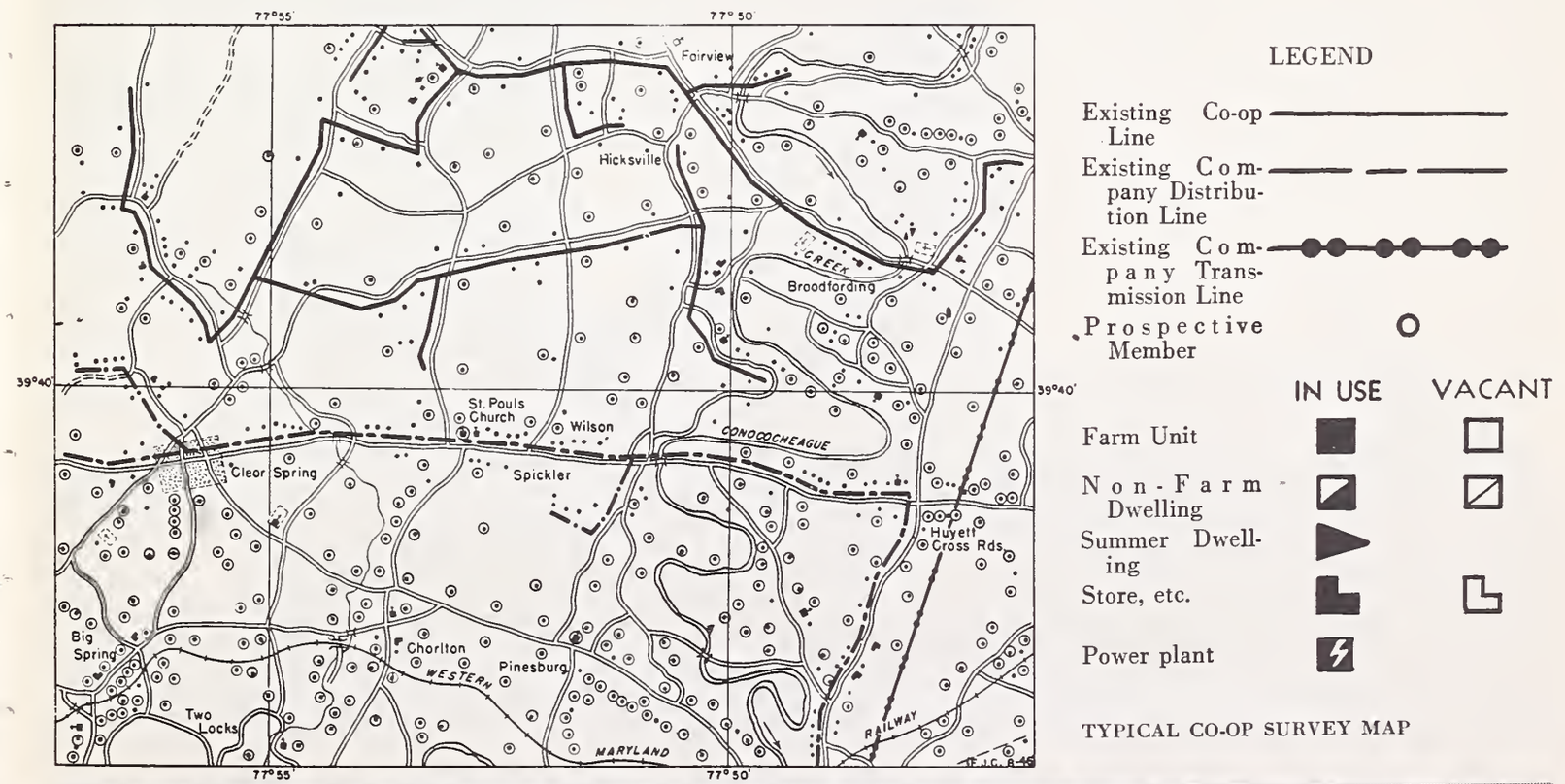


TYPICAL CO-OP SURVEY MAP

power supply problem facing most co-ops.

Second, the surveys already completed have been of great member relations benefit to the co-ops which have undertaken them. Such a survey says plainly to the people awaiting service, "This co-op wants to serve you as soon as it can; it wants you as a member so that you can share with your neighbors the benefits of ownership of your own power system." Unless up-to-date surveys are made and sign-ups conducted, unserved families have no way of knowing that the co-op is important to them—or that they mean anything to the co-op.

What Kind of Survey?

Whether or not an area coverage survey produces these benefits depends in large part on how it is conducted. Here are a few suggestions, based on the experience of co-ops that have done the job recently:

Before a co-op can start such a survey, its leaders must know the boundaries of its area—not just the rural areas adjacent to the co-op's first lines, but the entire area that the co-op will serve when its program is completed.

Next, the co-op prepares maps of the territory. (Local county highway maps have often been used—but these should be checked to see if location of establishments is up to date.) Co-op lines already energized are shown on the map; all members now getting service are also shown. Next, the co-op leaders decide how the area should be divided for survey purposes. From the number of survey units set up they can estimate the number of survey leaders necessary to head up work in each unit of territory, and the number of survey workers needed to obtain full data—both volunteers and paid workers.

In selecting survey leaders, the co-op can often get help from County and home agents, rural mail carriers, school teachers and other community and neighborhood leaders.

It is advisable to appoint a qualified supervisor to the job of coordinating and directing the work of the survey leaders. Sometimes the co-op manager assumes this task, or assigns one of his regular staff to act as supervisor under the manager's supervision. If the co-op is a large one, it may prove advisable to employ a qualified person as a special coordinator for the survey.

Planning for sign-up campaigns is an important part of area coverage work.

Once the survey organization is set up, all the materials necessary for doing the job are assembled. These include individual maps for the survey leaders, on which present lines are marked, and on which other information will be recorded as obtained and working kits for survey leaders—membership cards, easement forms, and other cards of which a file may be kept. An adequate supply of special forms and information literature for each member or prospective member interviewed is assembled in sets, ready for distribution to each survey leader, who in turn will give them to the survey workers.

The next step is a meeting of all survey leaders, at a time and place convenient for all. At this meeting, the co-op president or manager explains the purpose of the area coverage program and the need of the survey. The electrification adviser, if the co-op has one, might also address the group. A local rural leader may stress the importance of getting electricity to all rural people. If the co-op area is large, it may be necessary to hold several such presurvey meetings.

Each survey leader will find it advisable to study carefully the co-op maps, and become thoroughly familiar with the purpose of the survey—the "why" for each bit of information he is going to gather. By means of questions, discussion, and demonstration the co-op president or manager can make sure that each survey leader knows his job.

What Kind of Leaders?

In assigning leaders, residents of a particular area can be assigned to that area wherever possible. A time schedule may be agreed upon for finishing the job. If the survey leaders are instructed to accept membership fees from prospective co-op members, the importance of turning in promptly the membership applications and fees to the co-op office can be emphasized. If collections are to be made at the survey leader's home, that may also be arranged.

Check on progress of survey.—The area coverage survey must be kept active. If the survey workers are all hired for the job, it may be possible to complete the entire survey in 2 weeks. In that event, progress reports may be made daily or every other day.

If a survey leader—paid or unpaid—cannot carry on his job because of illness, or other reason, it may be advisable to replace him. If any portion of the survey is permitted to lag behind, the entire survey will be unduly delayed. Speed is important in getting the job done.

It is advisable for each survey leader to make his report to the co-op in person. Depending on circumstances, this final report may be made either at the co-op headquarters, or at the worker's home. At this time, each unit map and tabulation, membership applications and money receipts and easements, if any, can be verified.

Where to keep the data.—The base maps showing the field data should be furnished the co-op system's engineer for his use in preparing complete area coverage maps. (See REA Engineering Memo 154, dated June 20, 1945.)

WHAT SYSTEM STUDIES CAN DO

HOW WOULD YOU like to buy your youngster a pair of shoes and know that they would last him at least until the leather wore out? It would be pretty nice, wouldn't it? But growing children have growing feet, and the only way to keep the shoes from pinching is to get a larger pair.

So it is with co-ops. Periodically, you must exchange your system study for a new one; for if you don't, your co-operative's future power needs are apt to feel the pinch, too. Take the case of one co-op, for instance.

A couple of years ago on the edge of the Great Plains, 4,500 rural people were dreaming of a great day—and hoping it would not be too far distant. It was the day when the rural power system which they owned, and which they built with their own efforts, would be extended to serve every consumer in their service area—more than 9,500 rural families in all.

Adequate power for all the people who needed it in the service area of this rural co-op was the key to making this dream come true.

The men and women who owned this power system had only a vague idea of how their system would grow in the future. They had already taken the first long step to complete coverage of their service area. That is, they had mapped the area and located all the 9,500 power users. They had surveyed these users' power needs, and as far as possible had signed them up as co-owners of the power system that would some day serve them.

But still they were pretty much in the dark as to many technical phases of their problem.

So they employed an engineer to put their future power system on the drawing boards and, after 3 months of work, the engineer and his assistants came up with a plan. Chiefly, this plan consisted of a report which analyzed the present and expected system loads in order to insure that substations and lines would be of sufficient capacity to render adequate electric service to the system's members. A copy of all the material in the study was placed in the system's files and another copy was forwarded to REA for filing. It told the owners of this power system some important things.

First, it told them in what directions the system would have to grow if it was going to do an adequate job of serving the 9,000-plus rural families. It showed what distribution lines would have to be built, and exactly where, and at approximately what cost.

PLANNING THE RURAL CO-OP POWER SYSTEM

For example, it showed that, in addition to the then-present new construction of 614 miles of line to serve 1,691 new members which was being done at an estimated cost of $825,000, eventually the system would have to build an estimated 1,170 miles of additional lines to serve another 3,321 members. This additional construction, it was estimated, would bring the total construction cost of the ultimate system to more than $1,800,000.

Future construction, the engineers reported, would have to include increasing the capacity of 50 miles of present line at a cost of about $30,000. This 50-mile stretch was adequate to meet the needs of the people it served, but it was determined that it would not be adequate in terms of the ultimate system—because, as the co-op survey showed, the average monthly kilowatt-hour consumption of all the system's members would some day be about 300—far above the average at the time the survey was made.

The study, therefore, reduced the future development of the system to dollars and cents, as well as to exact miles and members. From that standpoint alone it was worth every cent the co-op put into it. But from the standpoint of the power problem to be met, it was equally valuable. Here is what it showed on power: The co-op got most of its wholesale power from a single source, which, like many power suppliers on the Plains, was beginning to feel the strain of heavy demand. A study showed further how power from this source and from the co-op's hydro plant was being distributed by the co-op's six substations and how it would be distributed in the future. It recommended the addition of two substations and the elimination of one. The engineers found that, in addition to increased power supply, it would be necessary for the co-op to undertake construction of 9½ miles of 34.5-kilovolt transmission line. By this means, it was believed, the system could be welded into an efficient whole.

Finally, the survey showed what size conductor would be needed throughout the system.

Undertaking this study was not an especially difficult problem for the co-op, in view of the valuable facts which were gained from it. The first step was the Board's resolution authorizing the study, and the employment of an engineer to make it, based on the area coverage plans already in the co-op's possession. The next step was to confer with all neighboring co-ops to determine the exact boundary locations of the ultimate system. These facts established, the engineer went to work.

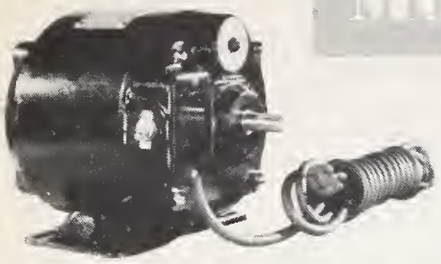
But *today* better than 800 or about 80 percent of all co-ops have completed engineering studies of the systems they need to serve every consumer in their areas. Many of these cooperatives, like the one we have just discussed, conducted their studies two or even three years ago, and they no longer serve as adequate guides to the co-operatives' future power needs. So some of these 800 or more studies will have to be revised and for the following reasons:

The co-op may have to change its contemplated power sources because the supplier or suppliers may be unable to furnish adequate power at the locations already selected, or . . .

The total kilowatt-hour consumption of the members may increase more rapidly than was expected, forcing the co-op to provide additional power to meet the rising demand.

Whether or not studies will have to be changed, those already completed represent sound planning for the rural power system of the future.

MORE PRODUCTIVE FARM LABOR



Electricity used efficiently on the farm increases the value of the farmer's labor, by raising his output in relation to the time he needs for chores.

YOU would think you were watching a factory belt-line operation if you were to visit Reuben Corliss' turkey farm in Meredith Center, N. H., in these weeks before Thanksgiving.

Center of the farm's operations at this time of year is a big, well-lighted building, with two floor levels. On the top floor is a brightly lit room set up for rapid processing. One by one, plump, broad-breasted White Holland turkeys are conveyed through a huge vat of water heated electrically to a scalding temperature. (Thermostatic controls regulate the heat of the water.) After the scalding, the turkeys are hoisted onto a rubber-fingered picker that rubs off the feathers of each bird in a jiffy.

As the picking is completed, the birds move downstairs to the large storeroom where Mrs. Corliss sorts and tags them for market. This year the Corlisses plan to install a larger walk-in refrigerator where they can store the turkeys until they are called for or delivered.

Last season the Corlisses raised and sold nearly 800 birds, and this year they plan a much larger production. "Without electricity," says Corliss, "we would have to work 24 hours a day and even then we could not keep up with the work. If co-op power were not available (New Hampshire Electric Cooperative at Plymouth) I certainly would not think of increasing the size of my flock. I certainly would hate to think of farming again without electricity."

Mrs. Corliss echoes his views. She would not be able to help with the flurry of turkey cleaning and picking without electrical timesavers in her home.

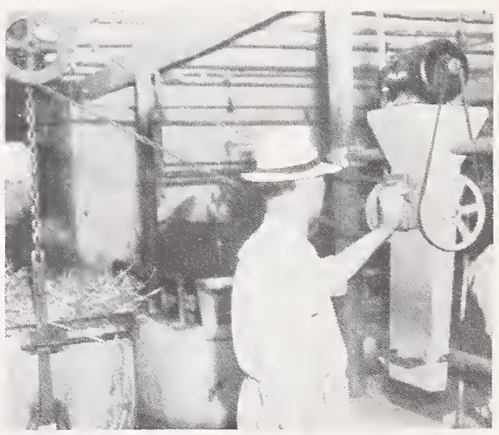
R. L. Seaford of Davie County, N. C., is another farmer who appreciates the labor-saving and production-raising values of electric power. With power furnished by the Davie Electric Membership Corp. at Mocksville, Seaford runs a big hatchery.

In one recent month, his power bill was $55.38. This may seem rather high, but let's see what that power helped to do. In the hatchery, 3,000 chicks are incubated each week in an electric incubator. The chicks are then put into electric brooders until they are large enough to be put out on the range. In the meantime, an electric feed grinder grinds all the feed the chicks eat, plus all that is needed for the approximately 2,000 laying hens.

Seaford says his greatest time-saver is his automatic chicken waterers, tapped off his electric water system. He shudders when he thinks of trying to water thousands of chicks and chickens by the old bucket method; he knows it could not be done without more manpower. "And where can you hire a man these days for $55 a month?" he asks.

Across the country, in Stevens County, Wash., the Stevens County Electric Cooperative is serving a number of farms whose owners, like others throughout the Nation in recent years, are using sprinklers to improve the quality and quantity of their pastures. One member now irrigates 80 acres of pasture by sprinklers. His increased yields of grass support 100 head of cattle.

Examples such as these of farm families which have used electricity to increase production can be found throughout the Nation, now that 80



percent of the farms are electrified.

Thousands of farmers are finding that electricity makes possible entirely new applications of power to agriculture, and in the selection of equipment to do farm work.

Electric motors can be substituted for muscles in most daily farm tasks, especially chores. The one-quarter horsepower electric motor will do work requiring two or three men at various types of tasks, such as pumping water, turning a grindstone, a food

chopper, a cream separator, a churn and many other tools and machines.

Because of its flexibility and accurate control, the small motor operating on a semi-automatic or fully automatic basis can reduce labor demands to a minimum. The over-all efficiency of small machines working long periods with minimum manual attention, is not only much greater, but the investment in equipment is greatly reduced.

Prime examples are the milking machine, the hay hoist, the elevator. The

portable elevator-conveyor, which can be easily built on the farm if desired, is becoming of particular interest throughout the Corn Belt. A single power supplier, the Butler County Rural Electric Cooperative in Iowa, reported as many as 200 elevators in use, as long as 2 years ago, when equipment was still hard to get. Eldo Meyne is one member of this co-op who has tested the value of electrically powered elevators. He has one 28-foot elevator built right into his corn crib. In one year it handled 3,000 bushels of corn and 1,500 bushels of oats, and cost very little to operate. What was more, it required a minimum of labor.

Welders Avoid Production Stoppage

Meyne is also one of the 150 members of the same co-op who have found an electric welder invaluable for preventing costly delays in production, by repair of vital machinery. About this time, they and many other Corn Belt farmers discover that nothing can cut into a week's husking worse than a couple of lay-offs while someone goes into town for machinery repairs. Welders can prevent this by making the farm a machine shop as well. Few mechanized farms can afford to be without such repair services.

In addition to the efficiency of electric power, it is possible to use it for a great variety of tasks and operations which would be difficult or impractical to accomplish without it. Heat applications—brooders for chicks and young animals; for water heating and many other purposes—are particularly easy to use, and productive in results.

One of the reasons behind the relatively slow development of farmstead electrification has been the cost factor. Many farmers, especially small farmers, have hesitated to install complete mechanization, even when they realize the labor-saving and production value, because of what they consider the high initial expense.

However, such cost factors can be cut to a minimum by adequate planning for use of income-producing electrical equipment. To accomplish complete electrification without jeopardizing the farm budget requires a thorough plan that will enable the purchase of equipment in such a way that the added income will offset the increased cost and maintenance of equipment, and of the electrical bill.

On most farms such a program will require years. Farm families will be wise to draw up a list of activities by which the family obtains its cash income. Activities which the family would like to establish should also be included.

The family can then list the applications of electricity which can be made to the activities in the production plan, and an estimate of the increased income which can be made possible by such applications. (A list showing the kilowatt-hour consumption of various pieces of equipment, the amount of work they can do, and the increased income resulting from their use, will be helpful in this. Such a list can be obtained from rural electric co-ops or direct from REA.)

Equipment Soon Pays For Itself

Preparation of such a use list will show that the cost of equipment, if purchased at one time, would be greater than the increased income that would be obtained immediately from their use. But a plan worked out for a period of several years should be able to permit the farm family to amortize the purchase of individual pieces of equipment by the income realized in each year.

Drawing up a plan of this kind is a venture in modern farming, especially for the average farm family whose income is not great. It would be well worth the time and effort required. ●

The RE NEWS welcomes reports from co-ops on how members have used power for productive purposes.

MORE DOLLARS FOR BETTER FARM PRODUCTS

TOO often and too long, farm producers have turned most of their skill, time and ingenuity to quantity production, and let quality lag. Too often and too long they have sold the dirt, the water and the low-grade products, and let someone else clean, dry, grade or otherwise improve the product and reap the extra products.

Too often and too long they have paid someone else to do primary processing of meat, grain, poultry products, vegetables and other staples consumed on the farm—when they could do such processing themselves, saving time and money.

One farmer who broke with this way of doing business was E. J. Logan of Morrow County, Ohio. Time was when Logan and his three sons sent their dusty potato crop to market in 100-pound sacks. Now they sell a better product and get a better price. Here is how they do it, as told by the Morrow Electric Cooperative, to which Logan belongs:

First, they have storage houses to hold the crop for peak prices. When time comes to ship, they elevate their potatoes into a washer. Rubber fingered rollers turn and brush the spuds as water flows over them, carrying the dust down the drain. Then an endless belt conveyor constructed of seamless tubing in the Logan workshop, carriers the washed potatoes into a drier. Here the heat generated by 100 infra-red 250-watt heat lamps beats down on the potatoes drying them as they pass by on the conveyor belt. Then it's a short trip down an incline to the grader and into peck packages.

Washed, scrubbed, packaged—the Logan product, straight from the farm, now has the fancy look of the potatoes on grocers' shelves. Is it worth it? Look at their balance sheet:

It cost the Logans about $650 to install their washing and drying operation, including the heavy duty wiring needed to power the heat lamps. It costs about 5 cents per 100 pounds of potatoes for electricity to operate the lamps and the four small motors needed to wash and move the potatoes. The Logans get 25 cents per 100 pounds more for their washed and packaged product than for their unwashed spuds. This year Logan marketed 3,300 pounds of potatoes. At a margin of 20 cents per 100 pounds, that was a $660 return on their $650 investment. In other words, the installation just about paid for itself in a single growing season.

> By using electricity to send better products to market, farm producers can gain extra profits

Home Grinding Aids Better Feed

Consider the feed grinding done by Rudolph Vonasek, member of the P. K. M. Electric Cooperative at Warren, Minn. When Vonasek first came on the co-op lines 2 years ago, one of the first pieces of new equipment he bought was a hammer mill run by a 1-horsepower electric motor. Some would say he was asking for trouble with that small a motor for a job as big as feed grinding. But Vonasek, like many alert grain growers and livestock feeders, proved otherwise. He put the mill on the first floor of his granary, and equipped it with an overhead hopper holding six sacks of grain. In 3 hours the self-operating mill grinds out the contents of the hopper. Vonasek grinds once a week in winter, twice a month in summer, and has all the feed he needs for his 7 cows and 150 layers.

It's fresher and better feed, too, than that which he used to buy custom-ground in town after a time-consuming trip. Often he had to stand in line at the town mill after driving through zero cold or blasting heat, while chores waited. No more of that for this modern farmer.

Here's a third example of power used for turning out a better product: John Feisley and his son Glen, members of the Belmont Electric Cooperative in Ohio, had a lot of trouble with soft corn spoilage. Glen, who has two years of training in agricultural engineering, thought he could do something about that. He bought a 36-inch fan with 6 blades and rigged it up for use in their 550-bushel outside crib and in their 350-bushel barn crib. One week when the corn was still plenty wet they picked it anyway, stored it in the two cribs, and dried it with the fan without losing a single bushel from spoilage. This past summer they switched the barn fan on for drying hay, too.

A neighbor of the Feisleys, Frank Haberny, says he can grind feed with an electrically powered mill "in less time than it takes to set up a tractor." He uses a 5-horsepower motor belted to a burr mill by a shaft and pulley arrangement, and grinds enough feed for most of his uses in about 15 minutes. Best of all, he can do this on clear days when the tractor is in use in the field.

In Johnson and Crawford Counties, Ark., peach growers who are members of the Arkansas Valley Electric Cooperative have found that electrically operated sprayers, conveyors, graders and defuzzers enable them to pack and market a top line of peaches. Before they had power they had to depend on unsystematic handling to get their crops to market.

How Grading Helps Peach Growers

Peach growers elsewhere also testify to the economy as well as the labor-saving value of electrified operations. Dan and Bill Ewing of near Candor, N. C., told their Pee Dee

Electric Membership Corp. that they can grade and pack around 2,400 bushels of fruit, or a carload and a half, in 8 to 10 hours. And the job, they say, is done more accurately with less handling damage, than when done by hand. As to costs—J. C. Moughon told the Tri-County Electric Membership Corp. at Gray, Ga., of which he is a member, that power for his peach packing shed cost him only about $19 for the short 3-month 1947 packing season, and only $5.25 for the first month of 1948 operations. In the latter period he used 110 kilowatt-hours for his $5.25, he said.

Better farm products are important for home consumption as well as for sale. When they rebuilt their barn for commercial dairying, the Howard Watson family near Maryville, Mo., wisely installed a freezing room. To save money, they used second-hand lumber, a heavy insulated door from a local packing plant, and a one-half horsepower motor to power the cooling apparatus. The whole setup cost them about $50—extremely low for this type of freezer, but an example of a farm family's ingenuity.

Today the Watsons eat better and more cheaply. Mrs. Watson freezes just about every vegetable and fruit raised in their garden and orchard. The 30-cubic-foot freezer-locker also contains enough space to care for meat after butchering. It also contains space for cooling milk from the Watson herd.

Grinding, freezing, drying, grading, washing—these are only five of the many ways in which electricity helps to turn out a better farm product.

Refrigeration Prevents Egg, Milk Losses

Sometimes this processing has not been done by anyone—and the entire value of the product has been wasted. Refrigeration is a case in point. Texas agriculture college engineers estimated that lack of proper egg cooling and storage facilities on Texas farms resulted in lower quality summer eggs, and a $250,000 annual loss to producers. Yet a simple home-made device employing an electrically driven household fan to drive water-cooled air past baskets of eggs can cool eggs and keep them cool until they are ready to go to market.

Similarly, untold millions of dollars have been lost by dairymen throughout the Nation by improper cooling facilities. In milkshed after milkshed, health authorities are requiring low bacteria count—and rapid, dependable cooling of the type provided by an electric cooler is becoming a must for producers in these areas who want to stay in business.

Losses in feeding value of forage during harvest and storage prior to feeding are likewise tremendous. Dr. R. E. Hodgson of the USDA Bureau of Dairy Industry has estimated that the annual loss of protein in field-cured hay throughout the Nation is equivalent to that required by 7,500,000 dairy cows in six months.

Many factors enter into this loss and its correction. Yet many farmers, especially in humid areas, have proved to their own satisfaction that hay cured in the barn by air forced through it by an electrically powered fan, is better and more nutritious hay.

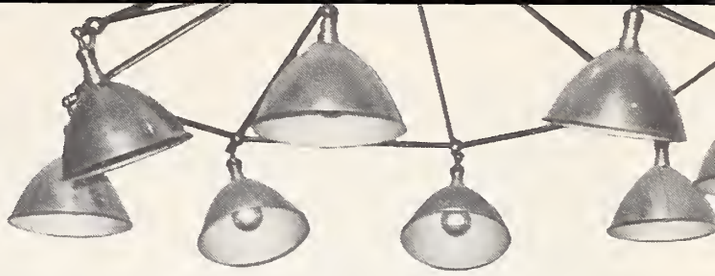
Problems such as these—how to use electricity efficiently in farm food processing—are problems for research bodies. They are problems for manufacturers of electrical equipment especially designed to meet individual farmers' needs. They are problems for rural communities concerned with keeping rural wealth at home, with getting the greatest possible value of the raw materials produced there.

Co-op Can Tell Members New Ways

But even more they are the problems of the rural electric cooperatives and of the farmer-members of the co-op. The alert co-op can keep abreast of the latest developments in the use of electric light, heat, power, and cold for turning out better farm products. It can learn what State and Federal groups and manufacturers are doing to give farmers greater return on their labor investment in the way of value-increasing electrical machinery. It can pass on information of this kind to its members.

The co-op members themselves, especially small producers, can survey their farm needs—find out what raw products they can prepare for market on their own farms.

As in production, farmers are only on the threshold of electrical uses in the processing field. ●



More HEALTH and BETTER LIVING

PROUDLY displayed in a community workshop in Rockvale, Rushford County, Tenn., is a framed certificate of the shop's membership in the Middle Tennessee Electric Membership Corp. This certificate is symbolic of what cooperative membership means in thousands of rural communities. It stands for people working together cooperatively to get something which they had not been able to get individually.

The Rockvale shop building was constructed through the joint efforts of some of Rockvale's citizens, the County school system, and the Veterans' Administration. Equipped with tools and electrically operated machines, it helps veterans and youths to learn to use modern electric farm and shop equipment. This community shop is one way in which area coverage electrification is opening new vistas to rural communities. Here's another:

Power's important in community workshops

In Centerville, O., the Belmont Electric Cooperative brings electricity to a farmers' processing center. The center is making a real contribution to the health and general living standards of residents of the town and neighboring countryside. Farmers bring to a modern locker plant some of their fruit and vegetable crops, meats and poultry for processing, aging, and freezing. They and the townspeople also buy frozen foods, groceries and other staples there on a self-service basis.

Before the center was established, the people had to go 17 miles for locker facilities. Now co-op electricity, put to work by community enterprise, provides the people with new processing service. Electric power operates two 7½-horsepower motor-driven compressors which keep the lockers at an average temperature of 4 degrees below zero. A 3-horsepower motor operates the cooling unit in the aging and chilling room. Bactericidal lamps in the chilling room help insure better meat products.

Women in the Centerville area have largely given up home canning. They let the locker plant freeze their garden produce. Often a family's "shopping" is done in one trip a week to the community center. The family's frozen foods are removed from their rented locker, supplemental shopping is done, and the homemaker can plan her meals without further trips. Small home freezers or large refrigerators keep the weekly supply of frozen foods conveniently, supplementing the rented locker.

Another contribution to building a stronger America is seen in the many rural schools where co-op electricity has helped in the development of well-rounded hot lunch programs.

Light means life in hospital surgery

In Florida, the Lee County Electric Cooperative, with headquarters at Fort Myers, aids the PTA in serving hot lunches at the Colin English School. In this modern school building, the PTA recently installed a large electric refrigerator and other lunch room equipment. Community and PTA are paying for the equipment by community activities and social get-togethers in the well-lighted school. Other schools which are finding that co-op electricity helps in a modern school program that looks after the children's physical as well as scholastic requirements are described on page 20 of this issue.

In many communities, schoolhouses are now often lighted at night, as well as for pupils' daytime use. Parents are finding that the school buildings are good places for community and civic events. Adult educa-

tion is aided in many communities where electricity makes it possible for instructive motion pictures to be shown.

Typical of this trend is the service being rendered to the area around Monte Vista, Colo., by the San Luis Valley Rural Electric Cooperative. The co-op's power use program includes meetings with all types of farm and community groups. Co-op employees and county agents work together in showing motion pictures on subjects that the community wants to know more about. Recently, a motion picture on electric welding on the farm found an interested audience of veterans in vocational agriculture groups.

Near Grangeville, Idaho, women community leaders asked the REA-financed Idaho County Light and Power Association to connect an unused schoolhouse. They wanted to use the building as a much-needed community center.

Rural communities in the past have often suffered from a lack of adequate hospital and medical facilities. But today that is changing. Area coverage rural electrification makes possible modern medical and health centers.

In Missouri, ground was recently broken for a 200-bed Veterans' Administration hospital to be served by the Ozark Border Electric Cooperative, at Poplar Bluff. Cited by the Army as "a monument to cooperation on the part of the citizens of Poplar Bluff and residents of Southeast Missouri," the new hospital will provide long-needed facilities for veterans in Missouri and Northern Arkansas.

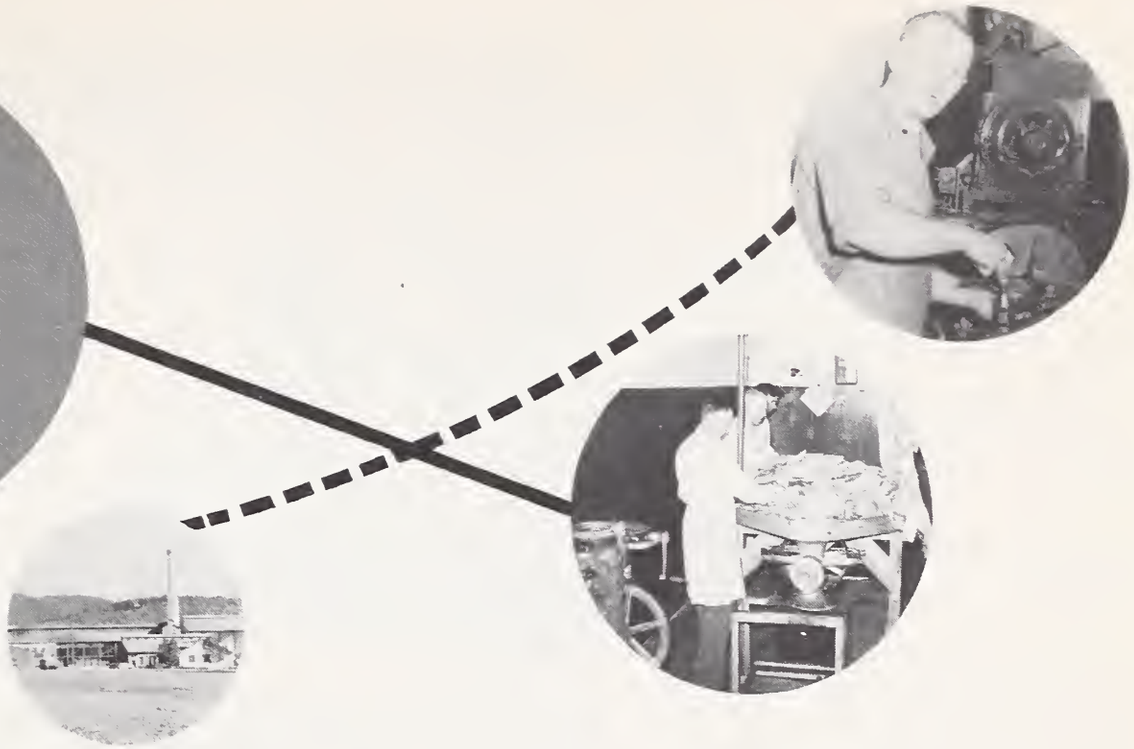
Community health is also aided because co-op electricity makes possible periodic x-ray check ups, as well as for portable x-ray equipment. Recently the Boone County Rural Electric Membership Corporation with offices in Lebanon, Ind., received a grateful letter from Mrs. Margaret Van Riper, secretary of the Boone County Tuberculosis Association. The letter said in part: "The directors of the Association wish me to express their sincere thanks for the help you gave us in our free chest x-ray. . . . We greatly appreciated your willingness to cooperate. The service was excellent."

Another community service is found in the farmer-village-co-op tie-up recently developed in Wisconsin by the Vernon Electric Cooperative, with headquarters at Westby, and the villages of Viola and Cashton. These villages own their municipal electrical facilities. But under the terms of the co-op agreement, the co-op will sell them off-peak power at wholesale rates. Under this arrangement, the co-op will improve its load factor, and the villages will get the benefit of buying off-peak electricity from the co-op at reduced cost. Use of the off-peak power by the villages will keep more of the co-op's equipment working and earning revenue for a longer time each day. The villages will use their generating facilities to avoid running up the demand charge made by the co-op. And the average cost of electricity to the community will be less than if its entire electrical needs were produced by the small municipal plants. As area coverage electricity ties communities and farms together, there is the growing realization that the needs of today's rural families can best be met by everyone working together to bring better rural living to all.

When rural residents seek electricity, among the benefits they consider are the improvements in community services which electricity will make possible. They know that low-cost area coverage electricity means better sanitation, modern sewerage, better fire protection, and better educational and job opportunities. Rural communities can well point with pride to their local electric co-op. They remember what it meant when they didn't have co-op electricity! ●

Locker in local plant helps busy housewives prepare varied diet for their families

MORE INDUSTRY FOR RURAL AREAS



EVER hear of making brooms on a farm? Neither had Dewey LeDoux, farmer-member of the Southwest Louisiana Electric Membership Corporation. But he and a dozen neighbors—most of them farmers themselves—are glad that LeDoux thought of the idea, and that he started a small factory on his 800-acre diversified farm near Opelousas, La.

LeDoux branched out into the broom business on a shoestring capital of $300 the year before Pearl Harbor. Today the factory, using co-op electricity for its machine operations and for lights, turns out about 100 dozen brooms and mops daily. Its products are sold over a wide section of southwest Louisiana. They represent a neat sideline for LeDoux and off-season jobs for a dozen or more rural people. The relatively large amount of power used in the factory reduces LeDoux's rates for electricity used in his cotton, rice, sweetpotato, and livestock operations, and in his home.

Here is a prime example of a rural industry built on one farmer's ingenuity and foresight, providing extra farm income, useful products and jobs. LeDoux's factory is as much a part of the economy of Opelousas as his farm. It is just as important to the people of the area that co-op power be available to turn out brooms as to dry rice, gin cotton, cure sweetpotatoes. LeDoux knows this, too. He has been a staunch supporter of the co-op since 1938, and is now one of its directors.

A different kind of industry on the land is the canning factory at Hohenwald, Tenn. Up until 1943 the farmers of Lewis County shipped their vegetable crop out of the area for processing. Their markets were not always reliable, there were some losses from spoilage, and grading was a problem. But in that year an enterprising canner set up a couple of canning lines in a small building on the edge of Hohenwald. The factory was expanded in 1945, and now there are four complete canning lines, turning out about 100,000 cans a day of processed vegetables and vegetable products. These are shipped widely throughout the east, south and central parts of the Nation.

Effect of Program On Community

What has happened in the community? For one thing the plant employs 60 people the year around and as many as 150 when the seasonal fresh crops come in. The weekly payroll averages $2,000. And there is no question of a market for local crops. Before the recent growing season the canners sat down with growers and said, "Can you produce 10.000 acres of black-eyed peas? How about 600 acres of tomatoes?" Farmers liked that kind of a deal, especially when they estimated that they would net $100 an acre from sale of their crops.

Electricity made that plant possible. Availability of service from the lines of the Meriwether-Lewis Electric Cooperative determined whether Lewis County farmers would have an established market and part-time jobs as an adjunct of their vegetable production.

During the recent growing season western Tennessee strawberry growers enjoyed another example of how electric service makes possible guaranteed local markets. In past seasons, according to the Gibson County Electric membership Corporation, the local market would become flooded with fresh strawberries about the middle of the packing season, and growers would glumly watch the price drop.

But this past summer, the Gibson County co-op provided service to three processors who froze or prepared for freezing a combined total of some 2 million pounds of berries. Packed and kept for future sales, these berries were never a drug on the 1948 market.

Dependable electricity is the basis for most rural industry. Industries provide jobs, opportunities, and hence security for rural communities.

Electrically powered washing, grading, sorting, slicing, packaging and freezing was done right near the farms by these locally supported industries. Co-op power turned the trick for these growers and processors.

Electricity for industry works in many ways to aid rural employment and production of locally processed goods. In some cases it actually creates jobs. It increases the production of a given product, and creates more highly specialized and better paid jobs.

Sausage Plant Serves Kentucky Area

Such a case is the sausage factory operated in Kentucky by William Webber and his son. For a number of years the Webbers had been processing pork produced locally into fine quality sausage for a wide circle of customers. Last year the demand for their products outgrew the capacity of their hand-operated plant. They built a new, larger plant 2 miles from Cynthiana, and installed electric machinery throughout, served from the lines of the Harrison County Rural Electric Cooperative Corp. Before electrifying, their labor force of 10 to 12 people were able to produce only about 1,800 pounds of sausage a week. Today the new plant, equipped with electric stuffers, grinders, hoists and other equipment—including a large walk-in cooler and 8,000-gallon water tank—turns out as much as 4,000 pounds a week. The labor force has been cut to 5 persons, but they are enabled to work more efficiently.

Co-op power helps this rural operation

Often rural industry contributes directly to better farm products. This is especially true in the case of fertilizer or limestone plants. In the area served by the Freeborn-Mower Co-op Light and Power Association, limestone, used primarily for agricultural purposes, is being crushed and otherwise processed by electrically driven machinery served by co-op power. Gravel and sand for rural roads and other purposes is also being processed on the Freeborn-Mower co-op lines.

Today in many rural areas labor is short. Jobs of some kinds are not hard to find. But for the long pull, rural economy can be stabilized, employment created, income raised, youth kept on the land, only by the type of processing and other industrial operations made possible by electric power.

A Minnesota minister, the Rev. W. D. Herrstrom, recently moved his religious publishing business from Minneapolis to the shores of Cannon Lake, in a rural area near Faribault, Minn. He told the Steele-Waseca Cooperative Electric, which serves his new plant, that the movement toward the large cities has been overdone—that it is time to "decentralize." He said he expected to see thousands of business firms moving "out into the open" during the next few years. With modern highways and rapid transportation giving easy access to supply centers, and with electricity available, it is no longer necessary, in many lines of business, to be in the crowded areas, he pointed out.

Surely the entire economy of many rural areas of declining population—in the Plains states especially—calls for this kind of decentralization based on electric power. This Minnesota man's prophecy may be close to the mark. ●

An ever-expanding field of factory employment exists in rural industry. Without attempting to list specific jobs, these are types of industries, already in operation or in the process of development, which depend heavily on electricity as a source of power, and which employ from a handful to several hundred people:

- Box factories
- Canneries
- Cheese factories
- Clay products plants
- Coal and other mines
- Condenseries
- Cotton gins
- Creameries
- Egg-drying plants
- Fertilizer plants
- Fibre board factories
- Food preservation centers
- Flour mills
- Freezer lockers
- Freezing plants
- Fruit-processing plants
- Furniture plants
- Glass factories
- Handle factories
- Hatcheries
- Hemp mills
- Juice-extraction plants
- Light goods factories—leather, clothing, etc.
- Lumber yards
- Milk drying plants
- Feed mills
- Oil mills
- Packing plants
- Paint factories
- Paper mills
- Peanut processing plants
- Poultry dressing plants
- Quarries
- Rendering plants
- Seed cleaning plants
- Tool shops
- Vegetable dehydrating plants
- Vegetable packing sheds

Why — Telling The Members Is Important

FACED with their period of greatest co-op growth, and in the face of perhaps their greatest opposition, leaders of rural electric co-ops are finding that too many of their member families neither know nor care much about co-ops—especially in areas where there are few, if any, other types of co-ops serving the needs of the rural people.

A manager of a rural electric co-op said the other day, "Building lines used to be our biggest job. But now it's member relations and community relations."

He had just come from a talk with a dozen or so farmers along one section of line. Yes, they were mighty glad to have electricity—although only three had water pumps, and the rest had only a hazy idea of what electricity could do except light their homes and power their radios. Yes, they knew about reading their meters and paying their bills on time.

But the co-op? They just looked blank when the manager talked about it. The manager drove away from their farms with the sinking feeling that these people (*a*) didn't know how they could put power to work for them, and (*b*) didn't know that their co-op was in any way different from a commercial power company or that they had any stake in its success.

The manager was really alarmed by the incident, because he knew that every member who failed to learn to make effective use of electricity was a drag on the rest of the membership. And he knew that every member who failed to take an active interest in the co-op's welfare was a drag on the co-op's success. All of which made his and the board's job that much harder, because they could count on little help from such members in their efforts to make the co-op an outstanding community enterprise.

Why did the co-op manager come to look upon a member education program as his co-op's biggest job? Let's see:

New Members: Today—REA borrowers, most of which are co-ops, are connecting new consumers across the Nation at the rate of more than 1,000 a day. Many, many others are about to be connected. A great many of the people are Johnny-come-latelies in the co-op movement. They have paid their membership fees. They have probably heard something about what it means to be a member of their local REA co-op. But they didn't pay much attention at the time. All they were interested in was to get electricity. If that made it necessary to sign a membership application, they signed one without thinking any more about it than if they had signed a service request with a power company. Too few of them know what it means to consumers to be able to share in the ownership and control of the power system from which they get service. All they know is that they have had to wait a long time to get electricity—sometimes even after joining the co-op. If anything, they are likely to feel resentful at not having gotten service sooner.

Other Recent Members: Add to this rapidly growing list of new members the others whose farms have been connected to the co-op lines in the last few months and years. In many cases, the co-op leaders have not had time, in the rush to get lines built, to explain adequately to these farm folks what their co-op membership means, nor to get them actively interested in co-op activities.

Old Members-In-Name-Only: Then there are the many co-op members—up to the hundreds, perhaps, in some co-ops—who have paid their bills on time, even read their meters when they were asked to, and sent in their meter cards, BUT who have never attended a co-op meeting, never telephoned the co-op office except to register a complaint—in short, have never been real co-op members.

Self-Satisfied Members: Even more significant than this group, perhaps, are the early members who have *ceased* to work for co-op progress. They have forgotten what they and their fellow members were able to do by working together when the co-op was first formed; how they and their neighbors, in cooperation with the Federal Government, provided themselves with low-cost electricity when many people said it couldn't be done; how they won the fight against selfish interests that did not want to see them succeed; how they reduced unit operating costs by extending lines to more

and more rural people who had been left in the dark; how their united efforts helped in making farming more profitable and farm living more satisfying. It is easy for the active leaders to remember the building days of the co-op. But it is even easier for other oldtimers to forget and to sit back self-satisfied now that they have what they fought and worked for. And that attitude is of no help to the co-op for the job which is still ahead.

Future Members: Finally, there are the young people who will some day become members—if the co-op is still in existence by then. It is easy to overlook this group, but before long many of them will be taking their places on the farms.

It is probably true that the number of any one of these groups on the lines of any REA co-op is rather small. But added together in any co-op, they may represent a large slice of the total membership and potential membership. Their lack of knowledge, understanding, and appreciation of co-op affairs and needs can sap the strength of the co-op. Each has a number of friends and relatives in a close-knit group. If they know little of what the co-op is set up to do and what it is doing, they can spread rumors and misinformation like wildfire. But if they are well informed and take an active part in co-op affairs, they are the co-op's greatest asset in stopping and preventing unfounded rumors.

What are these rumors? The most dangerous frequently originate with those who feel—perhaps sincerely—that any form of farmer cooperative is doomed to failure. Any co-op leader is quite familiar with them. They appear most frequently when and where the co-op is conducting an active membership and line-building program. In case of a new co-op, word is passed, "The co-op can't succeed. It will go broke in a few years." "When it fails, you may lose your farm to the creditors." "You'll never get service from the co-op."

In the case of an established co-op: "Why wait until the co-op finally gets around to serving you?" "The co-op will never have enough power to give you good service." "Why should you farmers carry the burden of running a co-op? If you sell your co-op, you will get better service without any risk or bother on your part."

Rumors like these are old stuff to many co-ops. But they have caused many members or potential members to refuse rights-of-way to co-op lines, to abandon their neighbors and leave the co-op. They have caused many other members to shy away from active co-op membership.

Today, obstructions—many of them are laid out openly and frankly by their sponsors—are putting co-op memberships to a real test. The growth and security of the whole cooperative movement depends now more than ever upon how well the members know their own co-op business.

Rural electric cooperatives, though still meeting spite line obstruction, are more and more being accepted as going concerns in the power distribution field. Nevertheless many co-ops report how they are beset by efforts to discredit and undermine their right to generate their own power when this is necessary to get adequate power at reasonable cost. Obviously this is a threat to the heart of cooperative rural electrification because adequate power at rates farmers can afford to pay is fundamental to the extension of rural electrification and future co-op development.

Few co-op members, unfortunately, know of this threat and of other threats to their farmer-owned power system. Thinking of their co-op—if they think of it at all—as something far removed from their daily affairs, or as just another power company, they lose sight of the goal to which the co-op is pledged—low-cost service to all, service at cost, rates controlled by the co-op owners. They are content to let their neighbors in the next township or the next county go without service, as long as they continue to get it.

Today, it is becoming more and more obvious that, although a co-op may prosper for a time in a financial sense when it is a co-op in name only, it cannot finally succeed. More and more the opposition whispers and open attacks whittle away at the confidence, loyalty, and understanding of the members of a co-op which has neglected to inform them consistently and fully.

Co-op member education is vital to the welfare of rural America today because:

1. The National interest and the farmers' interest demands that area coverage electrification be accomplished as rapidly as possible. This can be done only through strong co-ops. A weakened co-op is hampered in its efforts to serve all its potential consumers.

2. Lack of member support may weaken the co-op financially and endanger the Nation's investment in the electrification of rural areas.

3. Electricity is becoming an essential tool in farm management. To keep pace in the production picture, farmers—present and future—must be equipped with the know-how of electrical use.

4. An active member education program on all fronts will encourage members to do more things for their co-op that otherwise would fall on the shoulders of the board or of the manager and other employees.

5. Co-ops are faced with their greatest opposition on all fronts. Co-op members, especially the growing number of new members, have the right to know of their stake in co-op ownership, and of the other benefits of co-op operation. Without such awareness, their lack of understanding will turn to apathy. If a co-op has many members who neither understand the advantages of co-op membership nor are willing to learn and exercise their rights and responsibilities as co-op members, the co-op has little chance of permanent success. It is threatened with disintegration, financial loss, and failure in the job of rural electrification. ●

What Co-op Members Need To Know

As Owners of the Business, They Are Entitled To Have the Simple, Basic Facts

AS ANY doctor will tell you, the best time to treat a disease is before it develops—by preventing it.

One of the worst ailments that can afflict a co-op is indifference of the membership to its success or failure. Experience of American co-ops through the years has shown that no co-op—however sound and strong it may seem to be—can be successful in the long run unless its members are full partners with the directors and staff in responsibility for co-op welfare.

This is as true with a rural electric co-op as it is with a farm marketing co-op, a consumer co-op or any other kind of co-op enterprise.

REA co-op officials have made tremendous strides in acquiring technical and business know-how. They have set themselves the goal of seeing that abundant low-cost power is provided for the benefit of all rural people.

Despite the know-how, they can fall short of that goal unless they get busy *now* to build the membership understanding and loyalty needed to help them overcome the many obstacles that stand in the way.

A leader of a rural electric co-op, accepting an informed membership as basic to co-op success, has the natural question: "Where do we start in a member relations program? What should the members be told?"

What Kind of Information?

Specific answers to these questions depend on a variety of local circumstances. A good general principle to have in mind is each member needs and has a right to have all the facts he would expect to get if he were sole owner. Of course, he needs to know what a co-op is and how co-ops operate. From the basis of such information he will be able to judge how the co-op's success and his own welfare are closely related. He will be better equipped to do his part as a member-owner. He will be better equipped to utilize fully the service his co-op offers.

Such facts are important, because unless members are convinced that the co-op offers substantial benefits to them now and in the future, very few will want to give any time or thought to co-op affairs. They will have no inducement to look upon their co-op as anything except "just another power company."

The co-op must be to its members an instrument for their mutual benefit, much the same as a democracy is an instrument for the mutual benefit of all its citizens. This fact may be apparent to older members who recall why the co-op was formed in the first place, how it struggled against the apathy, ridicule and active opposition of the early years. But as a co-op grows it will have more and more members who forget or who never knew how and why the co-op started. These are inclined to take co-op service for granted. And they are the ones who need especially to know what the co-op has accomplished, so that they can see how the co-op is a means for accomplishing even more in the future—not only for the members themselves but for the entire community.

It is most important that members understand the nonprofit nature of their co-op. They need to know how their co-op differs from a commercial power company, how their payments for service help to build up their personal shares in the ownership of the co-op if the co-op receives more than its cost of doing business. They should be helped to see how the capital credits plan works for their benefit by making them all joint owners of the electric system serving them.

Members Will Own

Here is an important fact for members to remember: When the REA loan is paid off, the lines and poles and transformers will be owned entirely by them, not by absentee stockholders. By merely paying for service at reasonable rates, they will have full ownership and control of one of the biggest businesses in their area.

Once the members have learned the value of co-op ownership, they will be more interested in taking an active part in the affairs of the co-op which they own. But they can exercise their membership rights intelligently only if they understand what a co-op is and what they as members can and should do to make it successful. A well-informed membership can help the co-op leaders combat false rumors.

The average co-op member who gets electricity for the first time—and many a one who has been connected for much longer—has very little idea how electricity can work for him and his family. If he knows that he can rely on his co-op to give the sort of advice that he wants and needs about the electrical equipment he plans to buy, and to tell him what equipment will fit best into his farming pattern, he will come to respect the co-op. Alert co-op leaders will combine education in power use with education in co-op principles and practices. But one of the best ads for the co-op is a sympathetic adviser. The co-op employees who are the most successful in advising members on lighting, wiring, and plumbing systems and on equipment, are those who keep in mind that they are working for the co-op members; who find out the farmer's specific needs and tell him what equipment he needs based on those needs.

Member Service Important

Because farmers are more dependent than city people on steady electric service, good member relations are built by keeping members fully informed on developments that affect service. If for any reason the co-op finds it necessary to discontinue service at any time for a brief period, the member-conscious co-op sends out word as far as possible in advance of the time when service is to be cut off. Many co-ops explain in their newsletters every important outage, what caused it, and how it was corrected.

Members will want to know how much they are paying for their hired hands, and why. They need a full explanation of their rate schedule, not only so they will be encouraged to use electrical equipment in the low-cost rate brackets, but so that they will be satisfied that rates are fair to all users.

Members are entitled also to a full accounting of how the co-op is meeting its obligations; what the co-op owes and what it owns. The co-op's financial details are not always easy to present, but details are not necessary to a general financial picture. Some co-ops give an effective financial report in only a few lines of the monthly newsletter.

One of the broadest fields of member education is that growing out of the co-op relations with the community. Often members fail to realize what a powerful force electricity provided by a member-owned business can be in the community. Co-op leaders can build support for their co-op among members and others if they take the lead in community drives for better churches, schools, health clinics, and other facilities which electricity can serve. ●

TELLING THE CO-OP STORY

is an attractively printed booklet REA published recently as an aid to electrification advisers. In 72 pages, it guides them through the intricate periods of getting bearings, planning the program, building goodwill, working with local press and radio, and contains dozens of other helpful subjects.

Crammed with helpful hints for advisers, the booklet should be equally interesting to cooperative directors. It tells in forthright language about "one of the most serious threats to the co-op's strength: an uninformed or poorly informed co-op membership." It warns that "experience of co-ops of all types has shown clearly that, next to inadequate management, the indifference of co-op members about their co-op has been the chief cause of co-op failure."

"Telling The Co-op Story" can be of a valuable addition to the library of a newly elected co-op director who wants to do a conscientious job of helping run the members' electric business. Copies are available from REA, Washington 25, D. C.

INFORMING THE MEMBERS

Co-op Leaders Give Opinions On Work of Their Educational Advisers

Here is what some co-op leaders have to say about educational work in effect or planned on their co-op:

E. A. Mizer, President, Belmont Electric Cooperative, St. Clairsville, Ohio— .

On the basis of our experience, we can say that a definite need exists today on most cooperative systems for a person who can devote his full time to contact and advisory work among the members and the general public.

The greatly increased size of most cooperatives make a member relations program imperative. The cooperative's original members understood their organization, but with membership lists increased four to five times their original size it is up to us to sell our cooperative ideas and principles. Few cooperatives can afford not to do so.

P. E. Youngblood, President, Pioneer Electric Cooperative, Greenville, Ala.—

For a year now we have employed W. M. Roberts as agricultural engineer. Almost immediately after he started to work, we began to see evidence of his worth.

Here is one tangible benefit—almost all water pumps in our area were being installed without proper grounding. A great many members were having water pump motors burn out because of lightning. Our adviser started to work with wiring contractors and wrote several articles for our State-wide newspaper on proper grounding. The results have been savings to the members and elimination of many trouble calls to the co-op office.

Here's another: A large lumber company had contacted a contractor about doing the wiring for addition of a 65-horsepower load that was to operate 24 hours a day. They were about to close out the deal with this contractor at a price of $2,700, with no agreement as to details of what was to be done. About this time our adviser appeared on the scene and convinced the company he could help them. As a result, complete plans and specifications were drawn up, bids secured and a first-class wiring job installed for $1,250. This company will some day purchase more than 20,000 kilowatt-hours a month from us as a result of this fine work by Mr. Roberts.

Now to point to some of the intangible benefits. Not long ago a home demonstration agent from one of the counties we serve was in our office. She made the statement that all of the women in her home demonstration clubs knew Mr. Roberts and the fine work he was doing. He was "Mr. Bill," to them, she said.

In a recent report on the progress of his school, E. W. Greene, principal of Carlowville High School at Minter, Ala., had this to say about our adviser's work: "Perhaps our physical growth has paralleled the increased services of our electric power suppliers, the Pioneer Electric Cooperative. Without the advantages of this electric current, most of the improvements we have made would be impossible. The aid, assistance and advice of this cooperative has been invaluable to us. Especially is this true of the service rendered by Mr. Roberts. He has served us far beyond that expected of him by the co-op. . . ."

After citing the tremendous improvements that had been made in the school plant and educational value as a result of having electricity available, Mr. Greene concluded: "Our present water system that has just been completed with the able assistance of Mr. Roberts now gives us sufficient water

for all the demands of our new plant. This year the school is publishing its first annual. Mr. Roberts has agreed to take the inside pictures we need for it."

The work done by our agricultural engineer can hardly be valued in dollars. Our venture into an educational program is paying its own way. The feelings of the members toward their cooperative is worth many times the expenses involved.

E. V. Gibson, President, Southern Pine Electric Power Association, Taylorsville, Miss.—

The program has been a very substantial success . . . It has brought a much better understanding, on the part of the members, of problems of mutual interest to members and the co-op.

Extension workers and home economics teachers in the 11 counties in which we operate have come to the co-op office for information and assistance from our home economist . . . She has also gone to many of the schools, where she was invited to give demonstrations and answer many questions . . .

One of our greatest needs today is to extend and further the program.

George L. Martin, President, Erath County Electric Cooperative Association, Stephenville, Tex.—

Our co-op educational adviser gives training to members in the care and use of electrical appliances through demonstrations, home service calls, news publications, radio programs, correspondence, and by telephone and office consultations . . . Assistance has always been accepted with sincere appreciation. It is well to remember that bad relations can do more harm in a little while than can be counteracted by good will.

Many linemen or office personnel are present at demonstrations, to assist our adviser and to acquaint themselves on her instructions.

Even though we have added about 1,200 members in the 18 months since our educational adviser has been hired, our average monthly consumption per member has increased by about 25 kilowatt-hours. (Ordinarily on signing this many members, it would drop.) Also, even though the total power use more than doubled during this period, the kilowatt demand did not show the same percent increase, indicating that more power was used "round the clock." This demand is a healthy condition for the substation.

James S. Patterson, President, Harrison County Rural Electric Cooperative, Cynthiana, Ky.—

About a year ago we discussed ways and means of how we could be of better service to members. One of the specific things we wanted to do was to give them facts and figures about use of electric ranges and water heaters. We decided at that time to employ an electrification adviser.

Progress seemed slow at first. But we soon found that our adviser, Samuel Wallace, was reaching our members with the story we wanted to tell. For example, our newsletter began to increase in reader interest, because Wallace could get more local articles and pictures in it about members' use of electricity. He could do this because he had time to get out and visit with the members.

One of his projects is a monthly news sheet to dealers and distributors in our area. This sheet carries news about dealers' activities, merchandise trends, and the rural market for electrical equipment. Wallace has brought our co-op very close to our dealers. We saw one of the tangible results last October when dealers and distributors contributed more than $3,000 worth of equipment as prizes, and arranged 25 attractive booths. Nearly 8,000 people came to the meeting—our largest in our history.

At present Wallace is working with our county agents, newspapers, and homemaker clubs in developing community contacts. He is also contributing local articles for the State-wide co-op newspaper. We plan to increase these activities throughout 1949.

Last year, our members installed at least 150 electric ranges and 50 water heaters. We think that is one measure of the success of Wallace's efforts—and of our foresight in employing him.

Walter Underwood, President, Southeastern Indiana Rural Electric Membership Corp., Osgood, Ind.—

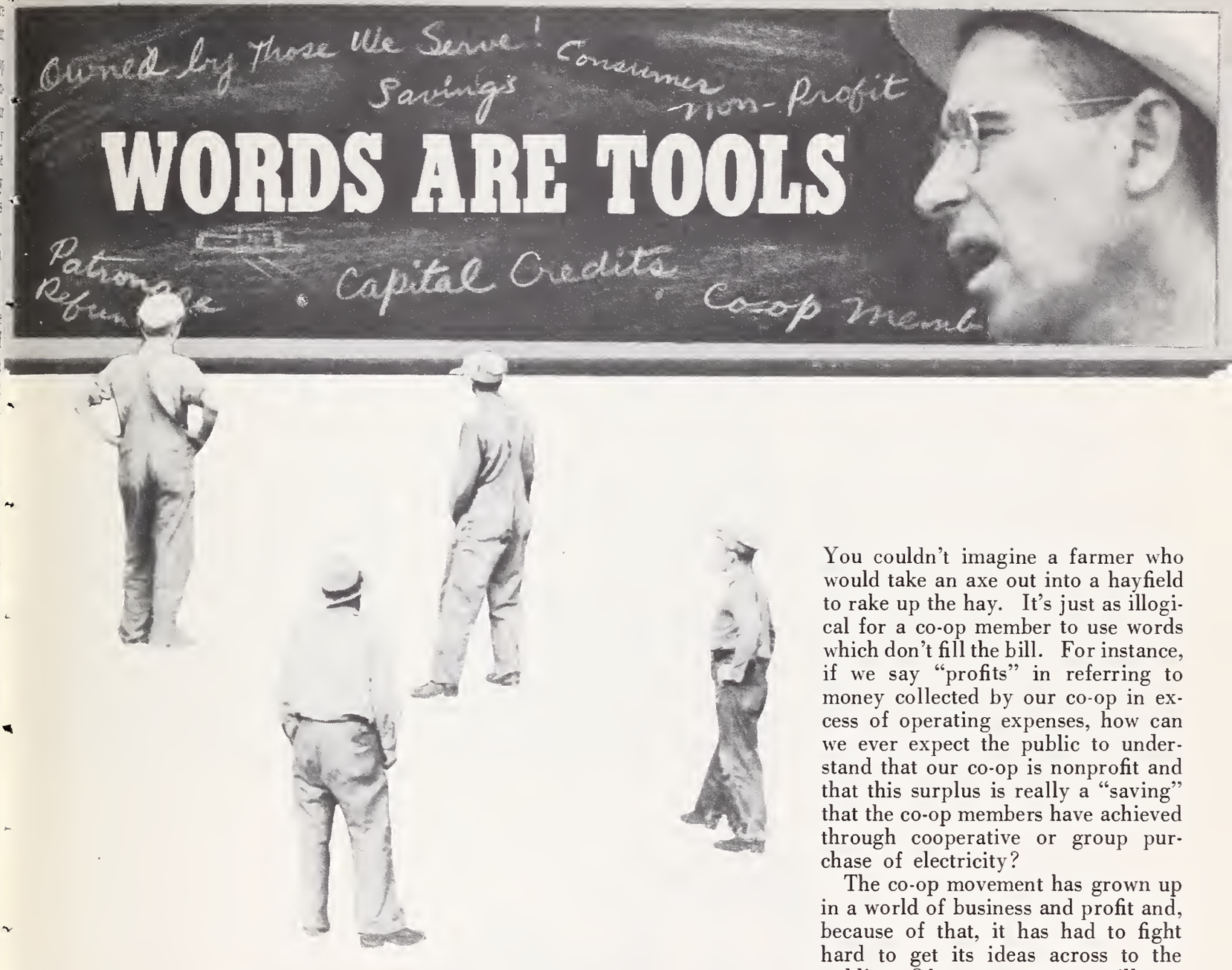
Does co-op member education pay off? It does in our co-operative.

Here are some of the reasons that we benefit from it: Our members are becoming increasingly aware that they have a personal interest in co-op affairs. This is reflected by a constant increase in attendance at our district and annual meetings. Many members take an active interest in the way co-op affairs are managed. They do not hesitate to let the directors know how they feel on certain matters. I consider this to be a good indication of a "healthy membership."

Severe storms (and we do have them in Indiana!) can cause a lot of damage and expense to distribution lines. Our members realize that it costs many dollars to patrol our far-flung lines. They have been extremely helpful in reporting line troubles. Most of them realize the difficult conditions that our linemen work under. We have a far finer spirit of co-operation than we did in the days when we were known as the "light company." The public in general has accorded our co-op the position of respect in this area. "See someone at the REMC; they will do it!" is a common saying in our area now, whether it is for a charitable function or fixing the lights in the neighborhood ball park. Needless to say, we feel that we can be accorded no higher recognition.

Homer T. Brown, President, Menard Electric Cooperative, Petersburg, Ill.—

Our education programs have developed a feeling of sincere good will between members and management which we feel could have been developed in no other way . . . To reach our 4,550 members and others living in the eight counties we serve, our co-op has developed a "program service" made available to community clubs, schools, churches, and civic groups. This has made it possible to bring direct information to our members on cooperative matters about which they should know and to the public, pertinent information about the co-op itself . . . Thousands of people have attended these organized "program service" programs during the 8 years they have been sponsored.●



I am a co-op manager.* I like my work, mainly because of the satisfaction I get out of it. There is nothing to compare with the feeling of a job well done that you get out of driving along a country road, watching the lights go on in the evening and seeing the farmers doing their chores with electrical tools.

There are all kinds of tools, some that you can hold in your hands and actually see and some that you use every day but never see. I'm referring to words.

Take, for example, the word *co-op* itself. How many of your members can give you an exact definition of it? How many can give you an approximate meaning? How many of your directors and employees know exactly what it means?

By themselves, words may look harmless. But don't forget that old saying, "The pen is mightier than the sword." I have always felt that the correct use of co-op terms, especially by officers and workers of a rural electric co-op, can spell the difference between success and failure of a co-op's public relations program. You couldn't imagine a farmer who would take an axe out into a hayfield to rake up the hay. It's just as illogical for a co-op member to use words which don't fill the bill. For instance, if we say "profits" in referring to money collected by our co-op in excess of operating expenses, how can we ever expect the public to understand that our co-op is nonprofit and that this surplus is really a "saving" that the co-op members have achieved through cooperative or group purchase of electricity?

The co-op movement has grown up in a world of business and profit and, because of that, it has had to fight hard to get its ideas across to the public. Of course, co-ops will not object to a term simply because it is a part of commercial business language. But some terms used in other forms of business simply don't reflect the true nature of the cooperative business—and the nature of that business is one of the major things we try to explain. We have many words which express co-op ideas precisely. I think it is important for everyone connected with a rural electric co-op to become familiar with these words, and to know how to use them correctly. In that way, members, directors and employees can do two valuable jobs at the same time: build the pride of local ownership and management, and help refute malicious and misleading propaganda, originated

*Call this manager Joe Doaks, if you like. What appears here is gleaned from the experiences of many co-op managers. Acknowledgement is made also to W. Gifford Hoag, of the Farm Credit Administration, whose "Do Our Words Tell Our Story?" appeared in the May 1949 issue of *News For Farmer Cooperatives.*

and spread by interests unfriendly to co-ops.

Here are some words and catch phrases that have grown up around the management of our cooperative. I am listing only some of the more common ones—you probably will be able to add many more.

"Company"—do any of your members use that word to refer to their co-op? Do your directors or employees do it? The word usually signifies an enterprise owned by a group of individuals for the purpose of serving the general public at a profit, which is about as far from the meaning of co-op as you can get.

"Customer"—co-ops do not have customers; they have members who are consumers or patrons. When a customer buys something, he does not expect anything further from the transaction except, of course, to be satisfied with the quality of the product. A co-op member, on the other hand, should realize that the more electric power he consumes, the bigger a stake he is building in his ultimate ownership of his co-op business.

"Profit"—co-ops do not have profits, either. The money a co-op receives in excess of operating expenses belongs to its members, not to the co-op, and will eventually be paid back to the consumers via the capital credits plan.

"Dividend"—this word is loosely used, in some localities, in place of patronage refunds or capital credit assignments. Commercial power companies, like other private corporations, pay dividends to their stockholders out of the profits made from serving their customers. A rural electric co-op makes no profit and therefore can pay no dividends to investors.

"Private utility"—this term was coined to distinguish commercially owned power companies from publicly owned power projects such as Bonneville, TVA, rural power districts, and municipally owned and operated systems. But REA-financed cooperatives, like the power companies, are also privately owned and controlled, with one big difference: they are owned and controlled by the people they serve.

I think we should stop calling those power companies "private" utilities; if we don't, we'll be helping the people who are trying to persuade the general public that co-ops are making inroads on "private enterprise" and should be stopped if private enterprise is to survive. I call them "commercial power companies." That way, you don't get the impression that a company operating for profit is any more private than a co-op operated on a nonprofit basis.

"Owned by Those We Serve" is a motto used by many co-ops. It hangs on their office walls, is painted on the sides of their service trucks and printed on their letterheads. It aptly describes the cooperative ideal.

Many co-op members refer to their co-op as "the REA," instead of "our co-op." This use of the letters "REA" plants the wrong impression in the member's mind—he doesn't get the feeling that the co-op is HIS. Also, it plays into the hands of those who are fighting co-ops.

The REA symbol is important because it ties all of the local co-ops together into one National program. But our members as well as the public need to understand that each REA-financed co-op is a local, private, independent enterprise, and not a branch of the Government. That is why many rural electric co-ops use the "REA Co-op" symbol in connection with their own co-op's name, on their own headquarters building, on their own trucks, and on their own stationery. ●

A GUIDE FOR CO-OP MEMBERS

A poorly informed member is a liability to any co-op. To be a good co-operator a member must understand not only the benefits to which he is entitled . . . also he must know something of the responsibilities which are his as part owner of a business enterprise.

REA's publication, "A Guide for Members of Rural Electric Co-ops," is intended to acquaint new members with basic facts about the rural electrification program . . . and with their job in helping manage their own business. This easy-to-read booklet will help your new members get a good start. It is available in quantities from REA, Washington 25, D. C.

Other recent publications that explain the co-op program, electrical installations and applications in easy-to-grasp language can also be ordered from REA. They include: "Electricity and Tomorrow's Farmer," a leaflet designed for future farmers and farm homemakers; "Electricity and Rural Health;" "Your Electric Wiring;" and "Planning the Modern Small School."

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